

ROYAL COMMISSION

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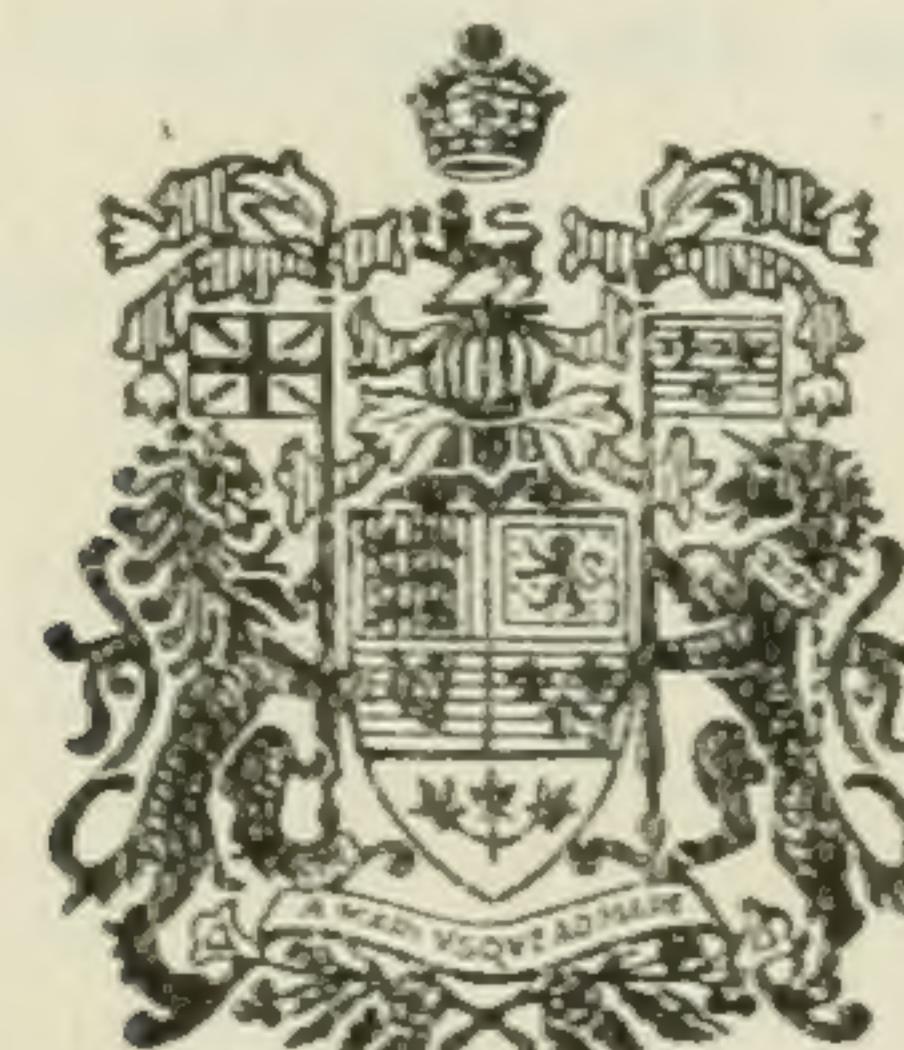
LEVI THOMPSON

LAKE GRAIN RATES

REPORT

W. T. R. PRESTON,
Secretary.

Printed by Order of Parliament



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PRIVY COUNCIL OF CANADA

P.C. 118

AT THE GOVERNMENT HOUSE AT OTTAWA

WEDNESDAY, the 17th day of January, 1923.

PRESENT:

HIS EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL

Whereas representations have been made to His Excellency's Government on behalf of responsible grain production and trading interests,—

(1) That a steamship combine exists composed of Canadian companies having Lakes Superior, Huron and Erie as a base of operations;

(2) That grain shipments which emanate from Western Provinces pass through the main outlet of Fort William and Port Arthur to eastern ports and are involved in the freight rates controlled by the alleged combine;

(3) That the alleged combine is largely effective through an amalgamation of interests of shipping companies and vessel owners trading upon the said Great Lakes;

(4) That the alleged combine or controlling interest by its management and operation of the bulk of tonnage of Canadian vessels plying on the aforesaid lakes exercises a dominating influence upon the transportation of grain between the western and eastern ports and by the further exercise of this authority creates high and unjustifiable freight rates upon grain;

(5) That the alleged combine or amalgamation of shipping interests has absolute authority to charter and allocate space for cargoes of grain in the great bulk of tonnage traversing the said lakes between Canadian ports and the said alleged combine refuses to charter or allocate space to grain brokers, dealers or traders (with minor exceptions) unless the said brokers, dealers or traders agree to place insurance upon their cargoes effected through and by the said alleged combine or combination of shipping interests.

(6) That the premium rates of insurance thus demanded and charged by the said alleged combine are in excess of premiums otherwise available to the said brokers, dealers and traders;

(7) That the said alleged combine, by insisting upon higher rates being paid for transportation of grain to Canadian ports than the said combine of shipping interests charges for carrying grain upon identical dates from Fort William and Port Arthur to Buffalo is discriminating against Canadian ports and harbours on Georgian Bay and Lake Erie in favour of the port of Buffalo, in the State of New York, U.S.A.;

(8) That the said alleged combine by the control it exercises upon Canadian tonnage on the said Great Lakes at times demands higher freight rates to Eastern lake ports from Fort William and Port Arthur than are charged by American shipping companies carrying American grain from Chicago and Duluth to Buffalo and other United States Eastern lake ports;

(9) That the operations of the said combine in controlling the said freight rates and further demanding that shippers, brokers and dealers in grain should effect insurance upon the excessive premium rates named by the said combine, has unfairly and considerably increased the cost of transportation and handling the natural products of the Western provinces.

(10) That the aforesaid situation in respect to the transportation of the products of the Western provinces adversely affects the great grain producing population of the said provinces by preventing the grain growers from securing reasonable and untrammelled access to the world's markets for their products; and also prevents the said grain producing population from receiving fair, just and reasonable prices which would otherwise be available for their products.

And whereas, the existence of a monopoly or combine of persons, interests, companies or corporations operating or controlling for their personal gain or profit the transportation facilities upon the main waterway over which must be transported the bulk of the natural products of the Western provinces would be contrary to public interests, would levy a special burden upon the agricultural life of the West, constitute a menace to the settlement and expansion of the Prairie Provinces, and also restrict general trade with serious consequences to the entire commercial, industrial and financial life of the Dominion.

Therefore His Excellency the Governor in Council is pleased to authorize and doth hereby authorize the issue of a Commission, under Part 1 of the Enquiries Act, Revised Statutes of Canada, 1906, Chapter 104, and amendments thereto, appointing Simon James McLean, Assistant Chairman of the Board of Railway Commissioners, Ottawa, as a member and Chairman; Levi Thomson, barrister, of Qu'Appelle, Sask., and General T. L. Tremblay, Quebec, P.Q., as members of a Commission of Enquiry to investigate fully the aforesaid representations that have been made to His Excellency's Government; to enquire into the relations and arrangements between the steamship companies and interests amalgamated or combining for the purpose of operating or arranging for the transportation and insurance of grain upon vessels traversing the said Great Lakes;

To enquire into the alleged combine of shipping interests in its efforts to dominate and control the freight rates and terms under which grain has been carried from the harbours of Fort William and Port Arthur;

To enquire into the comparative freight rates on grain by vessels traversing the Great Lakes between Duluth, Milwaukee and Chicago to Eastern lake ports as compared with prevailing freight rates on grain to Eastern lake ports in vessels controlled or dominated or fixed by the alleged combination of interests controlling Canadian lake shipping sailing from Port Arthur and Fort William to Eastern ports, and notwithstanding the above enumeration to make such other further enquiry and investigation as to the Commission may seem necessary in the premises, and to this end the said Royal Commission shall have power to send for persons, papers, etc., etc.

RODOLPHE BOUDREAU,

Clerk of the Privy Council.

To His Excellency the Governor in Council:

THE REPORT OF THE ROYAL COMMISSION APPOINTED TO
CONSIDER LAKE RATES ON GRAIN AND INSURANCE THEREOF

MAY IT PLEASE YOUR EXCELLENCY:

We, the Commissioners appointed by Order in Council dated January 17, 1923, to inquire into and report on lake rates on grain and insurance thereon have the honour to present herewith our report to Your Excellency.

The Commission held its first sittings in Winnipeg on February 12, 1923, and thereafter held sittings in Fort William, Montreal, Toronto and Ottawa. The members of the Commission also visited Duluth, Milwaukee, Chicago, Cleveland and Buffalo, in order to inquire into conditions existing at these American lake ports in regard to the rates and insurance on lake-borne grain.

Respectfully submitted.

(Sgd.) S. J. McLEAN,
LEVI THOMSON,
T. L. TREMBLAY.

OTTAWA, May 14, 1923.

I

It was alleged in evidence that there were essential differences between the lake trade in which the United States lake vessels were concerned and the lake trade to which the Canadian vessels catered; and it was also alleged that while in Canada grain was the basic industry a different situation existed in the United States.

II

The following tabular summary from the Annual Report of the Lake Carriers' Association for 1922, sets out the traffic carried by American and Canadian bulk freighters for the period 1915 to 1922:—

TABLE I

Year	Iron Ore Gross tons	Coal	Grain of various kinds	Stone Net tons	Total Net tons
1922.....	42,613,726	19,868,925	14,267,020	7,592,137	89,454,848
1921.....	22,300,726	26,660,652	12,470,405	3,925,705	68,033,575
1920.....	58,527,226	26,409,710	6,736,348	7,821,980	106,518,531
1919.....	47,177,395	26,424,068	6,091,703	6,407,285	91,761,238
1918.....	61,156,732	32,102,022	6,548,680	7,467,776	114,614,018
1917.....	62,498,901	31,192,613	7,161,716	6,748,801	115,100,399
1916.....	64,734,198	28,440,483	10,555,975	5,553,927	117,052,686
1915.....	46,318,804	26,220,000	11,098,815	3,854,106	93,049,981

If the 1922 figures are taken, grain of all kinds carried by American and Canadian bulk freighters on the lakes amounts to 16 per cent, averaged over the whole period covered by the table grain represents 10 per cent.

Of the 14.2 millions of net tons of grain carried in 1922 on the Great Lakes, 7.8 millions, or 55 per cent, were from Fort William and Port Arthur, leaving 6.4 millions of net tons of American grain moved on the Great Lakes, that is, after deducting the Canadian movement of grain and allowing for American coal and ore moving in Canadian bottoms, the American grain movement was approximately 8 per cent of the American lake tonnage.

III

Much stress is laid in the evidence on the importance of the iron ore tonnage. The iron ore moves on contract rates for the season, and the traffic is fairly well distributed month by month. In 1922, from Ashland and Lake Superior ports, the rate to Buffalo was 70 cents per gross ton of 2,240 pounds; in 1921, the rate was 80 cents. From Marquette, the rate in 1922 was 63 cents. From Escanaba to Lake Erie, 52½ cents, and to Lake Michigan and Milwaukee 42 cents.

It was stated in evidence that less than 5 per cent of the iron ore is available for the Canadian vessels. The carriage in Canadian vessels is to the Canadian "Soo" and to Point Edward.

The iron ore movement is considered, according to American witnesses, the basic trade of the large size bulk freighters of American register.

The United States Steel Corporation owns a large fleet of vessels engaged in the exclusive carriage of iron ore. During the war, these vessels did engage in the carriage of grain; but, aside from this instance, it has been found more advantageous to concentrate on the ore movements, utilizing in this connection the economics of loading and unloading, which are highly developed in this trade. On September 7, 1921, the steamer *D. G. Kerr* loaded at Two Harbours 12,508 gross tons of ore in 16½ minutes. It unloaded this cargo at Conneaut on September 12 in 3 hours and 5 minutes.

In addition to the iron ore so carried, there is a considerable amount carried by vessels which are also engaged in the grain trade, and it is represented that the rate obtained from ore has a controlling effect upon the grain rate. Converting the 70-cent rate already referred to to the per bushel unit on the wheat basis, this represents 1 $\frac{7}{8}$ cents.

The advantage claimed for the ore trade movement in the United States is that it is fairly evenly distributed through the season. The following tabular summary of ore tonnage from the report of the Lake Carriers' Association for 1922 is pertinent:—

TABLE 2

	1922	1921	1920	1919
April.....	136,161	176,211	230,854	1,412,239
May.....	1,585,305	2,594,027	6,976,685	6,615,341
June.....	6,629,711	3,600,989	9,233,566	7,980,839
July.....	8,942,336	4,847,687	9,368,606	9,173,429
August.....	9,016,426	4,329,158	9,270,763	4,423,133
September.....	6,801,299	3,913,122	8,923,482	9,171,550
October.....	6,081,386	3,233,081	8,848,986	6,261,883
November.....	3,410,934	466,451	5,305,738	3,152,319
December.....	9,626	99,146	46,662

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In the absence of information, either as to surplus of ore, if any, in individual months over and above what is carried by the United States Steel Company's boats, and in the further absence of any information as to what tonnage of the grain fleet is available to carry this surplus, if any, no further comment can be made.

IV

The limestone tonnage, which has doubled in the last eight years, is tied up to the ore industry. This traffic is set out under the heading "Stone" in Table 1. This is a trade in which the bulk grain freighters do not compete to any appreciable extent. The limestone is carried in part by vessels of the United States Steel Corporation. There is, however, a steady increase in the number of self-unloading vessels which are especially constructed for this type of work. Limestone is, for example, obtained at Kelly Island on Lake Erie, and also from Calcite in Northern Michigan. The movement from Calcite to South Chicago, for example, is of the nature of a shuttle movement, the boats going down loaded with limestone and coming back light.

V

The coal movement in 1922, set out in Table 1, amounted to 20 per cent of the tonnage. On the average of the 8-year period, it amounted to 29 per cent.

The light coal movement in 1922 was due to the coal strike which lasted from April to September.

One American witness expressed the opinion that in normal years the bituminous and anthracite coal movement varies between 30 and 35 million tons. That it comes next to iron ore in importance; that out of a total of 30 million tons, only 3 million tons are carried to Canadian ports by American and Canadian vessels; and that the Canadian vessels would only carry about 1,500,000 tons.

In 1922, from the opening of navigation to the end of August, the bituminous coal movement was very light on account of a shortage of coal due to the strike, but the movement in September, October and November was very heavy, nearly 13,300,000 tons out of a total for the year of 18,522,142 tons.

The coal movement from Lake Erie ports to Montreal was specially low in 1922, only 214,000 tons as compared with 767,000 tons in 1921, and 1,415,000 tons in 1920.

The coal movement to Duluth-Superior in 1922 was only about half of what it was in each of the previous ten years.

VI

There is some inter-relation of these tonnage movements. The stone movement does not afford a cargo for boats engaged in the grain trade. To the extent that the grain boats are supplemental to the boats of the United States Steel Corporation, ore is a factor bearing on the rate. It is not a factor as affording a return cargo, because the ore from the ranges of Minnesota is moving in the same direction as the grain. The iron ore is not a factor of importance after about November 15; on account of frosts setting in about that time, or earlier, it is not feasible to handle ore in bulk amounts.

The coal is available for return cargo. During the season of 1922, out of a total of 19,868,925 tons of coal shown in Table 1, there passed westward through the Soo Canals 9,461,018 tons, of which, approximately, 7 per cent was hard coal.

The coal rates from Lake Erie ports in 1922 were agreed on at 40 cents per gross ton to the head of the Lakes. On a distance of 996 miles from Duluth to Buffalo, this gives a per ton mile earning of approximately 4 mills. To other ports, the rates were as follows: Sheboygan, Wisconsin, 55 cents; Milwaukee or Waukegan, 55 cents; South Chicago or Indian Harbour, 55 cents; Chicago, 65 cents. At the end of the season, "wild" rates of \$1 per ton and even higher were operative.

It is represented that the coal tonnage just about pays operating expenses on the return trip. An analysis of the situation in this respect is made later.

VII

The total United States and Canadian vessel tonnage including steel and wooden freighters and barges of canal size available to carry the ore, coal, grain and limestone trade over the Great Lakes and canals represents 2,463,623 gross tons, divided as follows:—

Of American registry	2,130,398	gross tons.
Of Canadian registry	333,225	"

Gross tonnage is the internal volume of the vessel measured in units of 100 cubic feet based on capacity. The "registered" or net, tonnage is the gross tonnage, less certain deductions for the space occupied by machinery, bunkers, etc.

Table 3 shows clearly that the steel bulk freighters furnish a very large percentage of the total tonnage and for that class of vessel that tonnage of Canadian registry represents 10·6 per cent of the total tonnage. The evidence also shows that the large steel bulk freighters are displacing the smaller vessels on the Great Lakes in the ore, coal and grain trade, due to their capacity of carrying large cargoes more economically.

In normal times, a very large percentage of the American steel bulk freighters is engaged in the ore trade with return cargoes of coal, and those vessels are not available for the grain movement. However, when the grain rates are attractive, a certain number of vessels in the ore trade will shift to the grain trade, especially at periods when the ore movement is light. The ore movement closes between the 15th and 20th of November.

TABLE 3—UNITED STATES AND CANADIAN BULK FREIGHT TONNAGE ON GREAT LAKES AND CANALS

Description	U.S. gross tonnage	Canadian gross tonnage	U. S. and Can. gross tonnage	Can- adian per- centage
Steel Bulk Freighters in ore, coal, grain and stone trades.....	1,956,189	231,962	2,188,151	10·6
Steel Bulk Freight Barges in ore and coal trades.....	88,075	3,265	91,340	3·5
Composite Bulk Freighters in ore, coal and grain trades.....	6,704	6,765	13,409	50·0
Composite Bulk Freight Barges in grain, pulp and coal trades.....	673	3,741	4,414	84·7
Wooden Bulk Freighters in ore, coal and grain trades.....	43,917	51,299	95,216	54·0
Wooden Barges engaged in all trades.....	34,840	36,253	71,093	51·0
Total Freighters and Barges.....	2,130,398	333,225	2,463,623	13·5
Package Freighters.....	100,462	27,968	128,430	21·8
Passenger and Freight Steamers.....	69,541	24,853	94,394	26·3
Grand total.....	2,300,401	386,046	2,686,447	14·4

VIII

As shown in Table 1, the total movement of United States and Canadian grain from Lakes Superior and Michigan ports represented 14,267,020 net tons in 1922 as compared with 12,470,405 net tons in 1921, equivalent to 509,411,113 bushels of all grains for 1922 and 461,137,200 bushels of all grains for 1921.

In 1922, the total shipments from Port Arthur and Fort William to Canadian ports of all grains was 124,653,617 bushels, and to American ports 150,226,000 bushels; giving a grand total to American and Canadian ports of 274,879,617 bushels of all grains.

The movement from Port Arthur and Fort William to Canadian ports was distributed as follows:

To Bay ports and Goderich	71,000,000 bush.
To Port Colborne & St. Lawrence seaports ..	53,000,000 "
Total.	124,000,000 "

The grain trade is the traffic which is important in volume in the case of Canada. Down until the end of August it is, in general, light. During that season, there is a considerable participation in American grain trade by Canadian boats. In 1922, Canadian bottoms carried from Duluth, Chicago, Milwaukee and Buffalo to Canadian ports 45.5 millions of bushels. Of the movement in Canadian bottoms from Duluth, Chicago and Milwaukee, approximately nine-tenths were for Bay ports and Goderich.

IX

The total amount of American grain—not limited to movements in Canadian bottoms alone—from Duluth, Superior, Chicago and Milwaukee to Bay ports, Goderich and Port Colborne, amounted in 1922 to 77.9 millions of bushels as compared with 81.4 of bushels in 1921. The figures in question are from the records of the Boards of Trade of Duluth and Chicago and the Chamber of Commerce of Milwaukee.

On the movement of grain from the head of the lakes in Canada, the Standard Shipping Company chartered during 1922, 54 per cent of the grain moving in Canadian bottoms, and 27 per cent of the grain moving in American bottoms; or an average on both items of 40 per cent. Some analysis of the business done by this brokerage firm may be taken as indicative of the general nature of the business. This firm has the exclusive right of chartering the tonnage of the Canada Steamship Lines, Ltd., and Exhibit 231, which deals with the cargoes carried by the vessels of the Canada Steamship Lines, Ltd., on its Upper Lake Division is informative:

TABLE 4

	Tons
<i>1920—</i>	
Cargo handled.....	3,088,813
Stone.....	46,703
Coal.....	518,756
Ore.....	957,747
Grain.....	995,680
Shown in total but not distributed.....	569,927
<i>1921—</i>	
Cargo handled.....	2,930,355
Stone.....	9,487
Coal.....	755,879
Ore.....	306,039
Grain.....	1,858,950
<i>1922—</i>	
Cargo handled.....	2,495,295
Stone.....	191,631
Coal.....	424,416
Ore.....	1,879,248

When analyzed on a percentage basis, the results are as follows:

	1920 per cent	1921 per cent	1922 per cent
Stone	1.2	0.5
Coal.....	16.8	25.7	7.6
Ore.....	31.0	10.4	17.0
Grain.....	32.2	63.4	75.3
Not distributed.....	18.6

On the average of three years, ore amounted to 19.8 per cent. On the same average, coal, which is traffic available for back loading, averaged 17.2 per cent of the total. Rates of 40 cents, 50 cents and 55 cents were obtained on the coal carried in Canadian bottoms. There was, also, a "wild" or end-of-the-season rate of \$1. As already indicated these rates are the subject of further analysis.

In the carriage of coal to the head of the lakes, the American vessels have the advantage because the American vessel carrying coal may touch at Fort William or Port Arthur on its way to Duluth and Superior. Of the coal carried to Port Arthur, Jack Fish and Fort William in 1922, 90 per cent was in United States bottoms; in 1921, 66 per cent, while to take a comparative year before the war period, 85 per cent represented the figure in 1913.

X

Of the grain traffic in 1921, as set out in Exhibit 146, the total shipments from Fort William and Port Arthur of wheat, oats, barley, flax and rye amounted to 217.8 millions of bushels, of which wheat represented 70 per cent. Of the total grain shipments, the movement to United States lake ports was 45 per cent. Out of the total wheat movement of 153.9 millions of bushels, 55 per cent moved through United States lake ports, and 93 per cent of this moved through Buffalo. In the season from September first to the close of navigation in 1921, out of 116.3 millions of bushels of wheat, 63 per cent moved to United States ports, the figure for Buffalo alone being 60 per cent.

In the season of navigation in 1922, out of a total of 274.8 millions of bushels of wheat, oats, barley, flax and rye, wheat accounted for 82 per cent. Of the total grain movement, 55 per cent went to United States lake ports. Of the wheat movement, 57 per cent went to United States lake ports, and 83 per cent of the grain moving through United States lake ports moved through Buffalo.

In the period from September 1st to the close of navigation in 1922, out of the 166.2 millions of bushels of wheat, 48 per cent went to Buffalo while the total to the United States lake ports was 60 per cent.

Exhibit 334 gives the total grain shipped by water from the head of the lakes, both in Canadian and American bottoms, at 265,508,000 bushels, reduced to a wheat basis.

The fluctuating nature of the business may be taken by the monthly totals in the following computations. The last three ciphers are omitted. The letter "C" stands for Canadian bottoms; the letter "A" for American bottoms:

TABLE 5

		Total
April.....	C — 8,003	
	A — 6,002.....	14,005
May.....	C — 17,577	
	A — 8,549.....	26,126
June.....	C — 11,651	
	A — 554.....	12,205
July.....	C — 12,151	
	A — 4,031.....	16,182
August.....	C — 8,010	
	A — 2,320.....	10,330
September.....	C — 17,675	
	A — 13,954.....	31,629
October.....	C — 21,972	
	A — 31,314.....	53,286
November.....	C — 23,751	
	A — 55,586.....	79,337
December.....	C — 8,706	
	A — 13,702.....	22,408
	265,508	265,508

Of the total carried during the season, 29.6 per cent moved in the period April to August, inclusive.

XI

A primary difference between lake rates and rail rates is that the former are less stable than the latter.

In rail transportation, an essential general feature of the regulation policy which Parliament has adopted is adequate publicity in regard to the rates charged, this embracing provision for notice in the case of proposed changes in rates. The Railway Act provides that standard or maximum rates shall, in the first instance, be approved by the Board of Railway Commissioners for Canada. These rates have to be published in the *Canada Gazette* and thereafter cannot be exceeded. The great bulk of the rail traffic moves on rates lower than those set out in the Standard Tariffs. These lower rates are known as Special Freight Tariffs. It is provided that in the case of a special freight tariff reducing any toll previously authorized to be changed, the company shall file the tariff with the Board at least three days before its effective date, and shall for three days previous to the date on which such tariff is intended to take effect deposit and keep on file in a convenient place, open for the inspection of the public during office hours, a copy of such tariff. It is further provided that where any special freight tariff advances any toll previously authorized, the company shall, in like manner, give thirty days' notice; subject to the proviso that where objection to any such tariff is filed with the Board, the burden of proof of justifying the proposed advances shall be upon the company filing such tariff—(Section 361, subsections 2 and 3.)

Further, the practice, which now has the sanction of the Railway Act, has developed that when a rail carrier proposes to increase a rate, application may be made by a person affected to the Board, and if a *prima facie* case for suspension of proposed increase is made out, the tariff may be suspended or disallowed, and, if suspended, it may be set down for hearing for justification by the railway.

The whole progress of Canadian railway rate regulation, as well as the progress of railway rate regulation in the United States, has been in the direction of recognizing the importance of stabilization of rates. Fluctuating rates in rail carriage have been recognized as making for uncertainty of business. The legislation has, therefore, emphasized the necessity of adequate publicity in connection with the change of rates. As a necessary consequence of this policy, they must remain operative for a reasonable extent of time.

XII.

The bulk of Lake transportation as it exists in Canada is concerned with grain. In the grain business, transactions in "futures" are fundamental. The evidence adduced before the Commission shows that in general the business is carried on by individuals purchasing space in advance of purchasing the grain. In some instances, the arrangement may be made a considerable time in advance of the proposed date of movement of the grain; in other cases, in dealing with "nearby tonnage," the arrangements may be made in respect of movements which are to take place within a very short time after the contractual arrangement is entered into. A grain dealer may obtain accommodation for his grain shipments as the grain comes forward; but the evidence adduced points to the general situation being one where an element of time intervenes between the contract and the actual shipment.

In the case of rail rates, there is no contractual right in the rate. Subject to the provisions of the Railway Act, an agreement might be entered into as to shipping goods at a future date, but when the goods come to be shipped the rate in existence in the tariff then operative applies and if the goods are shipped, say, under an agreement made three months earlier and other goods are shipped without any agreement, then the fact that there is an agreement in one case and not in the other does not take the goods out from under the rate in existence at the time of movement. The railway has no right to discriminate in treatment between two shipments of the same nature moving under similar circumstances at or about the same period of time, where the only difference is that one has been assured to the railway by an antecedent agreement and the other has not.

XIII.

From the nature of the grain business, rate agreements are made a considerable time in advance. The most extreme in this regard to which attention has been directed is set out in Exhibit 236 which involves a contract made with the Armour Grain Company under date of January 25th, 1922. This was concerned with movements to be made from Port Arthur or Fort William to Georgian Bay ports during the month of May. In one instance, a shipment of 1,000,000 bushels of wheat was involved at a rate of 2 cents, and the other a shipment of 2,000,000 bushels at a rate of $1\frac{3}{4}$ cents.

Varying dates will be found in varying contracts. Referring to one Exhibit, a contract is made dated March 6th to be effective "within ten days from opening of navigation." The charge was 3 cents. Another contract made on March 17th makes provision for a cargo to Montreal on "an early boat." On April 6th, provision is made for a shipment to Montreal "during first half of July." The *Glenlivet* was chartered to James Richardson & Son, for Bay ports, for the whole season, except the last trip, at $2\frac{1}{2}$ cents.

Agreements have been entered into with milling companies ensuring them, on certain conditions, differentials under "going" rates. In general, provision is made for a minimum "going" rate under which no differential is allowed. When the rate is in excess of this, a differential of from $\frac{1}{4}$ cent to $\frac{1}{2}$ cent per bushel, varying with the "going" rate, is provided for. The elements of quantity and regularity of delivery appear to be factors. The milling company undertakes to provide the steamship company all the grain the former requires during the open season of navigation; or, in another instance, the milling company undertakes to provide certain minimum monthly shipments during a specified time, e.g., from the first half of September until the first half of November.

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In regard to long-term periods, reference may be made to a chartering on May 12th under which the shipment was to be at Colborne by June 6th. A contract in another Exhibit was made on April 10th to be moved "during the last fifteen days of June." Another of the same date to be moved "during the first fifteen days of July." Another contract is made on August 25th, to be loaded "during the last fifteen days of October;" while another contract made by the same firm with the same chartering agency on the same date was "for the first half of November." Then, again, contracts are made to load out "to-day;" "to-morrow" or "early next week."

XIV

An analysis of Exhibit 82, in so far as rates to Bay ports and Goderich from September 1st, 1922, to the close of navigation are concerned, will serve to show the fluctuating nature of the rates. This Exhibit is a statement covering the vessels loaded by the Standard Shipping Company during the season 1922, covering *inter alia* the rates. The rates as quoted are on wheat, and are per bushel:

During the month of September down to the 26th thereof, there was a rate of 3 cents to Bay ports and Goderich.

On the 27th and 28th there were rates of $3\frac{1}{2}$ cents and 4 cents.

On the 29th there was a rate of $3\frac{1}{2}$ cents.

On the 30th there was rates of 3 cents and 4 cents.

On October 3rd and 4th there was a rate of 4 cents, there being, however, a contract on the latter date of $3\frac{1}{2}$ cents.

On October 4th to 15th, there was a rate of 4 cents.

On October 15th, there was also a rate of 6 cents.

On October 16th, there were rates of $3\frac{1}{8}$ cents and 4 cents.

On October 17th, there were rates of 4 cents and 6 cents.

On October 20th, there were rates of 4 cents and 6 cents.

On October 21st-25th, there was a rate of 4 cents, on the 25th, there also appeared a 9-cent rate.

On October 28th, there were rates of 6 cents and 4 cents.

On October 29th-30th, there was a 4-cent rate, then on the latter date a 6-cent rate appeared.

On October 31st, there were rates of 4 cents and 6 cents.

On November 2nd, there was a rate of 9 cents.

On November 3rd, there was a rate of $9\frac{3}{4}$ cents, also rates of 4 cents and 8 cents.

On November 4th, there was a rate of 11 cents.

On November 5th, there was a rate of $4\frac{3}{4}$ cents, also a 4-cent rate and 8-cent rate.

On November 7th, there were rates of $4\frac{1}{2}$ cents and 5 cents, while there was also a rate of 11 cents. A rate of 8 cents also appears on the same date.

On November 8th, there was a rate of 8 cents.

On November 10th, there was a rate of 5 cents and a rate of 8 cents.

On November 11th, there was a rate of 8 cents.

On November 12th, there were rates of 8 cents and $9\frac{1}{2}$ cents.

On November 13th, there were rates of $4\frac{1}{2}$ cents, 7 cents and 8 cents.

On November 14th, there was a 5-cent rate.

On November 16th, there were rates of 5 cents and 8 cents.

On November 17th and 18th, there were rates of 5 cents.

On November 18th, a 10-cent rate also appeared.

On November 19th, there were rates of 8 cents and 5 cents.

On November 20th, there were rates of 10 cents and $7\frac{1}{4}$ cents.

On November 21st, there was an 8-cent rate.

On November 22nd, there were rates of 5 cents and 8 cents.

On November 26th, there were rates of 8 cents and 10 cents.

The differences in rates referred to are, taking into consideration the numbers of the contracts or confirmations, tied up with the dates on which the contracts were entered into.

Another factor in connection with the time element is that of winter storage. For example, a contract was made as early as August 31st, 1922, for winter storage to an American port.

XV

Similar conditions exist in the United States. In Milwaukee, there were during 1921, in a season of approximately 271 days, 17 rates; they had a spread of from $1\frac{3}{4}$ cents to $4\frac{1}{2}$ cents. In 1922, in a season of approximately 282 days, there were 46 rates varying from 2 cents to $6\frac{1}{2}$ cents. In Chicago, in a season of approximately 250 days, there were from Chicago to Buffalo 22 rates on wheat, with a spread of from 1.75 cents to 4.75 cents.

While the wheat rate was thus subject to variation, flour in the season from April 15th to December 19th, 1922, moved from Chicago to Buffalo, by lake, at the uniform rate of 30 cents per barrel.

Taking movements to Buffalo and United States Lake Erie ports, in two wheat contracts entered into on September 29th, both were shipped by the same party and both for shipment within the first ten days of October. The rate in one quotation was 5 cents, while in another $5\frac{1}{4}$ cents.

Other examples of fluctuations are available. Referring to the same lists of contracts, a contract for shipment of wheat was entered into on October 6th to move October 8th; the rate was $5\frac{1}{2}$ cents. Another wheat contract entered into on the same date for the same party for shipment "this week", was 5 cents.

XVI

The result of these varying rates may, and in various cases does, create a situation where the cargo of the boat is made up of varying quantities of grain of the same nature, but under different rates; that is to say, there may be grain moving under a lower rate which possibly is charged on a long-term contract, and, also, grain of the same kind moving on a higher rate made under a shorter-term contract.

In the case of one large shipper, 161 charterings were involved. 27 of these cover lots of from 10,000 to 25,000 bushels, while 24 cover from 25,000 to 50,000 bushels. One lot was as low as 4,000; another 5,000.

In the evidence, it was set out that movements in straight cargoes played a much larger part in the United States than in Canada, and it was argued that dealing in space as distinct from tonnage was very much to the advantage of the smaller shipper in Canada. While in some cases there is a preponderance of straight cargoes, in the United States there does not appear to be that generality in this regard which was alleged.

An analysis of steamers loaded by the Standard Shipping Company, season 1922, from details contained in Exhibit 82, shows the following details regarding straight cargoes (one shipper) and the number of steamers with two, three, four, five and over five shippers:

TABLE 6.

To	Straight Cargoes	Two Shippers	Three Shippers	Four to five Shippers	Over five Shippers
Bay Ports					
Goderich.....	72	35	23	23	5
Port Colborne.....	48	1
Montreal.....	39	26	37	19	8
	159	62	60	42	13
Percentages.....	47.3	18.4	18	12.5	1.8

XVII

As indicating further the effect of these conditions on the business, it may be said that during the first half of 1921 down to August 31, 1921, the shipments of the Standard Shipping Company from Fort William to Bay ports and Goderich show, in a period of 139 days, 12 rates, with a spread of 1 $\frac{1}{8}$ cents. In the same period in 1922, or slightly less, viz: 133 days, there were 6 rates with a spread of 1.75 cents. In the second half of the shipping season when the heavier movement of Canadian grain takes place, there were, in 106 days in 1921, 18 rates, with a spread of 4 cents, while in 1922, in 106 days, there were 19 rates, with a spread of 8 cents.

To Colborne, during the whole season of 245 days, in 1921, there were 9 rates, with a spread of 2 $\frac{5}{8}$ cents while in 1922, in 239 days, there were 12 rates, with a spread of 3 $\frac{7}{8}$ cents.

To Montreal, during the whole navigation season of 1921, there were 23 rates, with a spread of 8 $\frac{1}{2}$ cents, while in 1922, there were 25 rates, with a spread of 15 $\frac{1}{2}$ cents.

XVIII

Rate practice in connection with the transportation of lake grain differs from what is allowed under the Railway Act. Grain rates are based upon specific contracts. Rail rates are dependent upon publication of tariffs; and all those offering freight, under similar circumstances, to be moved under the tariffs in question must have similarity of treatment, regardless of whether there have or have not been antecedant negotiations as to the establishment of tariffs covering the rates in question. In other words, there are ~~in~~hibitions in respect of discrimination in regard to railway transportation which do not exist in the case of water transportation.

Parliament has recognized railway transportation as being an industry with monopolistic features which must of necessity be controlled by regulative legislation; but has considered lake transportation as competitive.

XIX

It is open to the lake carrier to carry in the same vessel, on the same date and between the same points of origin and destination, shipments, e.g., of wheat on different rates. Shipments of the same commodity may move on the same boat, at the same time and between the same ports, at different rates. For example, on the Midland King, on November 7th, 1922, to Goderich, there was included one lot of wheat at 4 $\frac{1}{2}$ cents; another lot of wheat at 8 cents. So far as the legal obligations are concerned, different rates may be charged to two

different shippers in respect of different lots and contracts entered into on the same date to the same destination, or even different rates may be charged in respect of different shipments of the same commodity by the same shipper.

Space may be contracted for, say, the last half of November or for the first half of November. It might happen, however, that the shipper who has contracted for space for the first half of November finds that the grain can go forward earlier than anticipated; and it was testified in evidence that it is within the power of the ship broker, with whom the contract has been made, either to provide for the shipment, say, on the first day of the period, or, if delay is of importance, to provide for it on the last day of the shipping period. It was intimated by witnesses that this service was of considerable value to them.

It would appear that where the dates of shipments are thus adjustable, there would be an opportunity of giving one shipper an earlier or later date within the period named, at the same time effecting a detriment in regard to another shipper who is not so treated. No evidence was adduced in regard to other shippers being so detrimentally affected. It does appear, however, that this ability to revise the dates of movement according to the needs of the shippers puts in the hands of the broker an opportunity to discriminate if he so desires.

XX

Nearby tonnage means tonnage available for grain shipment in a few days or within a short period.

Such tonnage can be easily procured from the opening of navigation to about the middle of September; but from that date to the close of navigation, when the grain movement is very heavy, it is much more difficult to find. The evidence shows that one grain shipper could not move any grain east of Fort William from the 29th of September to the 20th of October, because he had not reserved tonnage in advance, and then he found it impossible to procure any.

From the middle of September to the close of navigation, the grain is largely moving from Fort William in tonnage that has been reserved in advance, which means that grain shippers have to estimate their requirements when booking their reservation.

In 1922, a very large tonnage was booked in advance by the grain shippers in the early part of September and as early as August for Fall shipments. In the last week of September and the first week of October, the vessel brokers were reluctant to book any tonnage, claiming that they feared they would not be able to fill their contracts on account of the large reservation for tonnage, the congestion at the eastern Lake ports which delayed the boats, and the threat of suspension of the Coasting Laws.

In other words, the grain shipper has to guess the market; that is, how he can best procure the tonnage he requires, and what the rate will be. He has to consider before the heavy grain movement starts whether it is advisable for him to reserve tonnage in advance at the rate obtainable, or run his chance of securing tonnage when required at the going rate.

XXI

The Annual Report of the Lake Carriers' Association for 1922 in dealing with grain rates during that year, with especial reference to conditions on the United States side of the boundary, uses the following language, at p. 20:

"Rates on grain were always in such a state of turbulent fluctuation that the intermittent fancy prices made the grain trade appear one of the most profitable commodities carried during the year. Average grain

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rates are a myth as this trade is subject to daily and even hourly fluctuations, with charters made far ahead, but still something like an approximate grain rate as gathered during the season, does not reveal unduly high earnings in this traffic, although there was a range of rates from $1\frac{7}{8}$ cents to $8\frac{1}{2}$ cents during the sailing season, there was no period of definite length when prices remained high and hence commensurate with other favourable grain seasons."

The various witnesses stressed the competitive conditions existing in the American lake grain trade. The opinion expressed by witnesses who had experience, both of American and Canadian grain traffic, was that the conditions were highly competitive on the United States side of the boundary; and the same point of view was reinforced by the information which the members of the Commission were able to gather at various American lake ports.

The general idea of the Canadian shippers who were before the Commission was concerned with a desire to ensure that the lake grain trade would be replaced under a competitive regime. The evidence of Mr. James Stewart was especially emphatic in this regard.

It would appear that the basis of the lake grain traffic under competitive conditions is tied up to discrimination. It should be made clear the discrimination as used here does not mean a discrimination which is forbidden by law, because the discrimination is not forbidden in the lake grain traffic. Discrimination means, here, that those handling the shipping, be they brokers or vessel owners, are able to make their individual arrangements as to tonnage and rate with shippers, regardless of what has been done in the case of another shipper. Of course, the rate charged one would have some effect upon the rate charged another; but in a competitive system, which the grain dealers desire to maintain, there may be differences in treatment. The shippers are content to rely upon a competitive regime to equalize differences in treatment and possible disadvantages of discrimination, provided there are no artificial restraints of the competitive principle.

XXII

As bearing on the difference in treatment which may be made between shippers, the following Exhibits may be referred to:—

Exhibit 235 is a telegram from Mr. Enderby, of the Canada Steamships Lines, to Mr. L. H. Wolvin, dated September 27, 1922, which states:

"Better get those instructions to Winnipeg in writing about booking no more cargoes until this coasting law question settled. Our agreement was now (no?) new business. Make your instructions to them absolutely definite."

Three other telegrams numbered respectively 190, 192 and 196 are also pertinent in this connection:

"L. H. Wolvin, Esq.,
"Central Shipping Co.,
"Postal Telegraph Bldg.,
"Chicago, Ill.

"September 15th, 1922.

"We are not chartering any more Canadian boats for September loading. Think it best to clean up what we have and if we have open space we can get pretty nearly whatever we ask for it STOP We are doing some October but thought perhaps we had better hold off on this also except with Sid Smith he is figuring half million lastaff abstract which we should supply him and then raise rate. Answer.

"W. W. HALL."

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"October 3rd, 1922.

"L. H. Wolvin, Esq.,
"c/o R. A. & W. M. Williams,
"Kirby Bldg.,
"Cleveland, Ohio.

"Hope you are able to advise us soon with regard to ore and want to point out to you that before taking care of O'Donahue we had better take care of Sid Smith who was first to wire Minister of Marine this morning at length explaining situation as it really is with regard to shipping, and he is as badly in need of tonnage to fill his sales as any other shipper in the building and will be in very bad hole if we cannot help him out on some grain on or before tenth. He just showed the difference between willingness to help us and careless attitude that most of others had.

"W. W. HALL."

Telegram from L. H. Wolvin, Cleveland, Ohio, to W. W. Hall, Winnipeg, dated October 11, 1922:

"OKay Smith's Bay charter. Keep this strictly confidential. Do not want to offer Stewart anything just now account of Ottawa STOP Where can I telegraph Stewart?"

There is no doubt that those who sent the messages in question were quite clear as to the power they possessed to differentiate between individuals and were quite willing to do so. Mr. L. H. Wolvin is Manager of the Standard Shipping Company, and Mr. Hall is his principal assistant. The Central Shipping Company is an American branch of the business controlled by the Standard Shipping Company.

Mr. Stewart had wired Ottawa requesting suspension of the coasting laws, while Mr. Smith had wired Ottawa opposing the suspension.

XXIII

The particular conditions as to rates which prevailed in 1922 are, in essence, the centre of the allegation that such a system of artificial restraint existed during 1922 as to prevent the operation of competitive conditions.

In Exhibit 332 filed by the Canada Steamship Lines, monthly comparisons of the rates received by that company for the period 1914-1921 are set out. Taking the case of wheat rates, the details for 1914 and 1915, in the case of the movement from Fort William to Georgian Bay ports, are summarized. On account of the condition existing during the war, it would seem that it would be more characteristic for present purposes to take the years 1919-1921. The following detail is available:

TABLE 7.

Month	1919		1920		1921	
	cts.	cts.	cts.	cts.	cts.	cts.
September....	3	4 — 4½			2½ — 3½	
October.....	3	5 — 5½			3 — 3½	
November....	3	5 — 6			3½	
December.....	6	5½ — 6			4½ — 5½	

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From Fort William to Colborne, the following detail is available.

Month	1919		1920		1921	
	cts.	cts.	cts.	cts.	cts.	cts.
September.....	3 $\frac{1}{2}$		4 $\frac{1}{2}$ — 5 $\frac{1}{2}$		3 — 4	
October.....	3 — 3 $\frac{1}{2}$		5 $\frac{1}{4}$		3 — 3 $\frac{1}{2}$	
November.....	3 — 4		6		3 — 3 $\frac{1}{2}$	

In the Exhibit 6c. is shown for December, 1919, to Port Colborne, no detail being shown for the same month in 1920 and 1921.

During the season of navigation of 1922, the average rate on grain from Fort William and Port Arthur to Port Colborne was 4.05c. per bushel (Exhibit 82, Standard Shipping Company). The computations following are based on this Exhibit. The only local demand for grain at Port Colborne is that of the Maple Leaf Milling Company. On the evidence, it is shown that as a result of the elevator facilities possessed by that company at that point, the shipments to it obtained expedited loading. This is to be given some weight in connection with the disparity between the Port Colborne rate and the rate to Bay ports. In addition, it is to be noted that the balance of shipments through Port Colborne is made up of grain on the way to Montreal; and it appears that the division of rates at Port Colborne is on an arbitrary basis not proportioned to mileage. During the same year and for the same period, the average rate to Bay ports and Goderich was 4.14c. per bushel. For the second half of the season, viz., from September 1 to the close of navigation in December, when the heavy movement of Canadian grain was taking place, the average rate was 4.95c. per bushel to Bay ports and Goderich.

From Fort William to Buffalo is a distance of 863 miles. From Fort William to Midland, taking this as typical of the Bay ports, the distance is 540 miles. Goderich is 510 miles. Port Colborne is 847 miles from the head of the lakes as compared with the Buffalo distance of 863.

It is estimated that a boat journeying from the head of the lakes to bay ports can make three round trips in the time necessary to make two round trips from the head of the lakes to Buffalo or Colborne.

In the season of navigation of 1922, the Standard Shipping Company's charterings to Buffalo and United States Lake Erie ports amounted to 41.9 millions of bushels. Of this, 31.2 millions were moved in American bottoms. In the case of the latter, the average rate for the period ending August 31 was 2.24c. per bushel; for the whole season of navigation it was 4.65c. On the Canadian boats alone, for the same period, the average was 2.19c. The difference in average is no doubt due to the Canadian vessels taking part in the movement in the earlier part of the season when the rates were low.

In 1921, the average rate by United States vessels to Buffalo and Lake Erie ports was 2.81c.; by Canadian vessels to Buffalo, 2.14c. The computations for 1921 are based on Exhibit 81, filed by the Standard Shipping Company.

The rates to Bay ports and Goderich from the head of the lakes for the whole season of 1922 have been referred to. In 1921, the rate for the whole season was 2.3c. on the average as compared with 4.14c. in 1922. For the first half of 1921 and 1922, the respective rates were 2c. and 2.45c., while for the second half the rates were 3.15c. and 4.95c.

To Port Colborne from the head of the lakes, during the season of navigation of 1922, the average rate was 4.05c. as compared with 2.85c. in 1921. From Port Colborne to Montreal, the average rate during the season of navigation of 1922 was 9.67c. as compared with 9.748c. in 1921.

XXIV

As set out in Exhibit 82, which deals with Standard Shipping Company's business to Bay ports and Goderich, the rates varied from $1\frac{1}{2}$ cents to 3 cents in the period April to August 31, 1922, and from 3 cents to 11 cents in the period from September 1 to December 16. The following tabulation analyzes the detail:

TABLE 8

(a) April 19th to August 31st, 1922—

Rate	Bushels	Percentage of total Bushels
cts.		
1	896,000	
1 $\frac{1}{2}$	3,020,000	26.0
2	846,000	
2 $\frac{1}{2}$	2,797,000	23.8
2 $\frac{3}{4}$	649,000	
3	3,365,000	28.6
Total	11,573,000	

That is to say, 9.1 millions of bushels, or 78 per cent, are covered by the rates whose bushel percentages have been extended.

TABLE 9

(b) September 1st until close of navigation, 1922—

Rate	Bushels	Percentage of total Bushels
cts.		
3	5,282,000	22.1
3 $\frac{1}{2}$	488,600	2.0
3 $\frac{3}{4}$	799,000	3.3
3 $\frac{5}{8}$	217,000	
4	6,546,000	27.4
4 $\frac{1}{2}$	641,000	2.7
4 $\frac{3}{4}$	505,000	2.1
5	1,443,000	6.0
5 $\frac{1}{2}$	1,460,000	6.1
6	1,074,000	4.0
6 $\frac{1}{2}$	74,000	
6 $\frac{3}{4}$	131,000	
7	442,000	1.7
7 $\frac{1}{2}$	272,000	
8	3,305,000	13.8
9	500,000	2.1
9 $\frac{1}{2}$	111,000	
10	380,000	1.4
11	151,000	
Total	23,821,000	

That is to say, 22.8 millions of bushels, or 85 per cent of the total, are covered by the rates whose bushel percentages have been extended.

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The following table, based on Exhibit 82, analyzes the movements and rates to Port Colborne for the season of navigation of 1922:—

TABLE 10

Rate	Bushels	Percentage of total Bushels
cts.		
1 $\frac{5}{8}$	89,000	
2 $\frac{1}{4}$	483,000	
2 $\frac{1}{2}$	150,000	
2 $\frac{7}{8}$	90,000	
3	1,273,000	11.5
3 $\frac{1}{8}$	165,000	
3 $\frac{1}{4}$	150,000	
3 $\frac{3}{4}$	2,098,000	19.6
4	4,451,000	40.0
4 $\frac{3}{8}$	65,000	
4 $\frac{1}{2}$	117,000	
5 $\frac{1}{2}$	1,765,000	16.0
Total	10,998,000	

That is to say, 9.5 millions of bushels, or 87 per cent, are covered by the rates whose bushel percentages are extended.

The following table, based on Exhibit 82, analyzes the movements and rates from Port Colborne to *Montreal* for the season of navigation of 1922:—

TABLE 11

Rate	Bushels	Percentage of total Bushels
cts.		
6 $\frac{1}{2}$	46,000	
6 $\frac{3}{4}$	1,711,000	8.9
7	320,000	
7 $\frac{1}{4}$	1,000,000	5.2
7 $\frac{3}{4}$	93,000	
8	105,000	
8 $\frac{3}{4}$	51,000	
8 $\frac{1}{2}$	947,000	4.9
9	832,000	4.5
9 $\frac{1}{4}$	1,291,000	6.7
9 $\frac{1}{2}$	232,000	
9 $\frac{3}{4}$	4,711,000	24.6
10	892,000	4.6
10 $\frac{1}{4}$	409,000	
10 $\frac{1}{2}$	3,890,000	20.3
11	200,000	
11 $\frac{1}{2}$	1,390,000	7.2
12	170,000	
12 $\frac{1}{2}$	445,000	
13	40,000	
14	108,000	
15	199,000	
16	27,000	
18	19,000	
22	49,000	
Total	19,177,000	

That is to say, 16.6 millions of bushels, or 87 per cent, are covered by the rates whose bushel percentages are extended.

XXV

During 1922, rates from Duluth to Buffalo varied from the opening rate of $2\frac{1}{4}$ c. to the closing rate of 8c. and $8\frac{1}{2}$ c. Until the end of August, the maximum rate was 3c. By the end of September, the rate rose to 5c. In October, it was from $4\frac{1}{2}$ c. to 6c., while in November it varied from $2\frac{1}{2}$ c. to 5c.

From Chicago to Bay ports, wheat moved in 1922 between June and the end of September, with a rate varying from 2c. to $3\frac{1}{4}$ c.; to Montreal, in the same period, with a rate varying from 9c. on June 3 to a maximum of 11c. on September 23.

The corn movement to Bay ports extended from April to December, with a range from $1\frac{3}{4}$ c. to $3\frac{1}{2}$ c. The latter rate on a wheat basis would give an equivalent of 3.4c. To Montreal, the corn rate varied from 7c. 6c. to a maximum of 15c. To Buffalo, the wheat rate varied from 1.75c., in April, to 4.75c. in December. The corn rate in the same period varied from 1.75c. to 4c. The latter rate on a wheat basis would be equal to $4\frac{1}{4}$ c.

Aside from one shipment on December 6, there were no shipments in Canadian bottoms out of Chicago after September 13.

The details of shipments and rates involved in the business of one large shipper in Milwaukee have been supplied. To Buffalo, rates on corn varied from $1\frac{3}{4}$ c. to $2\frac{1}{2}$ c.; to Bay ports, the rates varied from $1\frac{3}{4}$ c. to $3\frac{1}{2}$ c. On September 22, there was a rate of 2c. on wheat to Bay ports. The corn rate to Goderich opened at 3c.; there are, thereafter, rates varying from $1\frac{1}{2}$ c. up to 3c. There is also a rate of $2\frac{1}{4}$ c. on wheat on August 18.

The grain involved in the return referred to was almost exclusively corn. No shipments to Canadian ports were shown after the first week in October. The latest rate thus shown is a $3\frac{1}{2}$ c. rate on corn to Bay ports, on which demurrage was attached.

XXVI

In justification not only of the higher level of Canadian rates in themselves, but also in justification of the relation to American rates, it was contended that conditions of congestion and costs in regard to coal should be given weight. It was contended that the rates available to Buffalo in the earlier part of the season were so low as not to be profitable, and that, therefore, they should not be taken as a measure of a reasonable rate. In connection with shipments from Milwaukee to Canadian ports, a very considerable portion of the shipment was concerned with movements of corn, at a rate of $1\frac{3}{4}$ c., to Buffalo and to Bay ports,—890 and 553 miles respectively. It is represented by a large dealer who was concerned in the movement that nearly all of the grain moving at $1\frac{3}{4}$ c. represented tonnage which was booked prior to the opening of navigation, and which it is stated might in some cases have been a little less than the prevailing market rate on the date of actual forwarding.

An analysis of the rates and movements by Colborne has a bearing upon the question of congestion at that point. In 1922, the rate of $9\frac{3}{4}$ c. to Montreal by way of Colborne was established as a result of the May meeting which is later referred to.

The computations following are based on Exhibits 82 and 81, which deal with the business of the Standard Shipping Company for 1922 and 1921 respectively. These figures are taken as illustrative.

In 1922, the opening rate from Colborne to Montreal was $6\frac{1}{2}$ c. and the amount of grain moved on rates from $6\frac{1}{2}$ c. to $9\frac{3}{4}$ c. was 11.2 millions of bushels. In 1921, the opening rate was 7c., and the amount of grain moved on rates between 7c. and $9\frac{3}{4}$ c. was 5,000,000 bushels.

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In 1922, out of a total of 19.1 millions of bushels of grain carried to Montreal, the portion carried at rates of 10 cents and higher amounted to 7.8 millions of bushels, or 40 per cent of the total. The rate went as high as 22 cents. In 1921, the rates went as high as 15½ cents, and the portion of the 13.3 millions of bushels involved carried at rates of 10 cents and higher amounted to 8.3 millions of bushels, or 62 per cent.

While the rates in 1922 went as high as 22 cents, the amount carried on rates in excess of 15 cents and up to 22 cents, inclusive, amounted only to 86,000 bushels—i.e., the approximate equivalent of one canal cargo.

There was an admitted congestion at Buffalo, this resulting mainly from the outcome of the coal troubles and of the shopmen's strike; and, as a result of this, demurrage clauses were placed in various contracts. It has been suggested that comparison might be made between the Canadian rates and the American rates, plus the demurrage; that is to say, that the demurrage charge might be averaged over the number of bushels involved. However, it has been found impossible to arrive at these figures. It is further represented by various people concerned in the American grain trade that it would not be a fair average, because, in various instances, individuals were able to obtain ready despatch and, consequently, were not subject to demurrage. The demurrage was operative at Buffalo, and provision was also made for demurrage in various contracts involving shipments from Lake Michigan to Bay ports.

As a result of the difficulties at Buffalo, a considerable amount of grain was moved from Buffalo by way of the St. Lawrence to Montreal, amounting, in round numbers, to some 19,000,000 bushels; and this probably had a bearing upon the vessel accommodation available from Port Colborne.

XXVII

It has to be recognized that where congestion exists that while the vessels are waiting their overhead costs are going on at the same rate as though they were employed in carrying grain; and even operating costs are only slightly lowered while the vessels are earning nothing. The prospect of congestion is advanced by the vessel owner as a justification for an increase in his rates; and in such a situation of uncertainty should he make an error in estimating the increase in rates, deemed necessary by him to recoup his possible loss, he is liable to err on the safe side. He will probably pass on to the producer or consumer, as the case may be, not only the full amount of his loss, but something more to repay him for his risk and anxiety.

Congestion has been adduced as a reason for difference in treatment of Canadian ports as compared with Buffalo. Satisfactory evidence as to the actual congestion at Buffalo has not been obtained. Such evidence as the Commission has obtained establishes that at Buffalo the congestion was as bad as at Port Colborne, and considerably worse than at Bay ports.

XXVIII

Congestion having been referred to, one measure of the existing conditions is to be found in the return of the Dominion Bureau of Statistics, as set out in Exhibit 146. This deals with the shipments of wheat, oats, barley, flaxseed and rye in bushels.

The Report of 1921 states that the detail is according to the ports at which the cargoes were unloaded. In 1922, the report simply says that it is according to the ports to which cargoes were destined at time of departure. The statistical

reports at present published by the Dominion Bureau of Statistics do not show figures based on returns by the vessels and covering port to port figures of cargoes moving in coastwise trade. The following detail in millions of bushels of Canadian grain is available; the Exhibit in question is prepared from the statistics of the Board of Grain Commissioners:

TABLE 12

	1921	1922
To Goderich.....	15.7 millions	18.9 millions
" Bay ports.....	70.5 "	51.4 "
" Colborne.....	29.2 "	47.5 "

SECOND HALF

To Goderich.....	8.3 millions	12.1 millions
" Bay ports.....	36.3 "	36.4 "
" Colborne.....	13.1 "	22.0 "

From this it would appear that there were substantially the same movements to Bay ports in the second half of 1922 as in the second half of 1921. The second half of the year is important in connection with the movement of the Canadian grain crop.

Analysis of the grain movement from Duluth, Superior, Milwaukee and Chicago to the points involved is pertinent. Expressed in millions of bushels, the following comparative detail for 1921 and 1922 is available:

TABLE 13

	1921	1922
	Bush.	Bush.
Duluth-Superior to—		
Bay ports.....	7.9 millions	19.4 millions
Goderich.....	0.1 "	0.2 "
Port Colborne.....	0.6 "	5.5 "
Chicago to—		
Bay ports.....	36.0	28.4
Goderich.....	0.8	0.3
Port Colborne.....	25.2	15.2
Milwaukee to—		
Bay ports.....	5.8	2.1
Goderich.....	4.2	2.8
Port Colborne.....	6.0	3.6

Summarizing these figures the results are:

	1921	1922
To Bay ports.....	49.80 millions	50.04 millions
" Goderich.....	5.22 "	3.48 "
" Port Colborne.....	26.92 "	24.38 "

Analyzing the figures concerned, both Canadian and American, (1) the shipments to Bay ports in the second half of 1921 and 1922 were practically the same; (2) in the same period, the shipments of Canadian grain to Goderich increased by one-half; (3), in the same period, the shipments of Canadian grain to Port Colborne increased by 70 per cent; (4), in the season of navigation for 1922, American grain to Bay ports was practically unchanged; (5), to Goderich, it decreased 34 per cent; (6), to Port Colborne, it decreased 10 per cent.

The movement of American grain to these ports for the whole season of navigation in 1922 was 4 millions less than in 1921.

For the whole season of navigation of 1921 and 1922, the movement of Canadian and American grain to those ports was as follows:—

TABLE 14

	1921	1922
To Bay ports.....	120.3	101.4
" Goderich.....	20.9	22.3
" Port Colborne.....	56.1	71.8

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It is apparent that the increase in 1922 over 1921 to the various ports is practically all shown in the Port Colborne figures. This has a material bearing on the question of congestion.

A special report has been obtained regarding the car movement of grain out of Bay ports, not including Goderich, by the Grand Trunk and Canadian Pacific, in the months of September to December, 1922. The export grain shipped out preponderated. Bulking together the export and domestic grain movement by those two railway companies from the ports in question, during the period in question, 33,644 cars moved carrying 53.1 millions of bushels.

XXIX

While congestion is relied upon as the main justification for the difference in rates involved, there is no unanimity of opinion as to what the real measure of congestion is. Mr. Enderby, of the Canada Steamship Lines, was of opinion that any delay in excess of 24 hours in unloading was undue and was a factor in congestion. Mr. Sullivan, who gave evidence at Winnipeg in regard to Chicago conditions, stated that four days' free time was allowed for loading at Chicago and unloading at Bay ports. Mr. McGean expressed the opinion that 48 hours was a reasonable free time for unloading.

It was brought to the attention of the Commission that discussion had taken place in regard to a new lake bill of lading. This matter was referred to incidentally and it is understood that the question has not got beyond the discussion stage. One clause of this draft, however, may be referred to. Provision is made therein for 72 hours free time and for demurrage on a reciprocal basis.

In the demurrage clauses which were imposed during the congestion period at Buffalo, provision was made for demurrage being imposed at the end of the 72-hour period. From the evidence adduced, the demurrage provisions were not worked out on any scientific basis. Bulk sums per day, regardless of whether the vessel involved was a large cargo carrier or a small cargo carrier, were provided for. The demurrage had no relation to the rate. Nor in providing for demurrage after the 72-hour period was there any provision for an increase of the rate short of the 72-hour period; in other words, the average level of rates independent of the demurrage clause was taken as reasonable for the 72-hour period.

In connection with marine insurance on grain going forward for winter storage, Mr. Wolvin was asked by the Chairman of the Commission, at Winnipeg, how long the high rate of insurance ran. The answer was until 72 hours after arrival at destination; after the expiration of 72 hours after the arrival of the boat for winter storage, there is a rate of $\frac{2}{3}$ of a cent per day, \$100 valuation, until the grain is unloaded. This was stated to mean 20 cents per 30 days for \$100 valuation, and he further stated that this lasted "During all the time it is in the boat after 72 hours from arrival."

An unloading period of 24 hours is, in various cases, feasible, but it would appear to be based on counsels of perfection rather than on average conditions. Undoubtedly if everything is lined up at the elevator and no other boats desire to make use of it very expeditious handling can be made.

In connection with the shipments of Mr. Bawlf to the Washburn-Crosby Company, at Buffalo, no demurrage was imposed, one reason for this being that the consignee was able to line up the elevator facilities for the cargo so as to give very expeditious unloading.

It would seem, taking into consideration the various conditions above referred to, that a 72-hour unloading period is not unreasonable.

Exhibit 207 gives a statement of the average unloading of steamers of the Canada Steamship Lines for all the season, and also for the period September 1st to the close of navigation 1922. The average period for unloading for the whole of the season was 3 days and 9 hours, which would mean a delay of 12.5 per cent over the 3-day period. From September 1st to the close of navigation, 1922, the average time for unloading is 3 days, 22 hours, and 28 minutes, which would mean 31 per cent over the 3-day period.

A summary of 113 steamers unloaded at Tissim, Midland and Port McNicoll from September 1st to November 30th, 1922, showed an average unloading time of 3 days and 3½ hours, which would mean 5 per cent in excess of the 3-day period.

XXX

The coal conditions were also referred to. Exhibit 309 gives the details of cost of bunker coal of various United States shipping companies, e.g., the Pickands-Mather Company and the Pittsburg Steamship Company, and shows that the general average for 1922 was 12 per cent in excess of that for 1921.

Coal is emphasized by the Canada Steamship Lines as an important factor because in its returns it amounts to 40 per cent of the operating expenses. Exhibit 310 sets out the price of coal charged by the Century Coal Company to the Canada Steamship Lines. Taking the prices from the Toronto branch and averaging them, the following results are available. The price for the whole season of navigation in 1922 averaged, per ton, 9 per cent higher than in 1921. For the portion of the season from September 1st, the price per ton for 1922 averaged 13 per cent in excess of that for the same period in 1921.

It was also urged that on account of the poorer quality of coal obtained in 1922 coal consumption was greater and, consequently, this was a factor of increased cost. When analysis is made of the returns of the performance of the Upper Lake Fleet of the Canada Steamship Lines, as set out in Exhibit 231, this factor of difference as between 1921 and 1922 appears to be practically negligible. Making allowance for the daily consumption of coal on lay days, the consumption of coal in tons per one hundred miles for 1920, 1921 and 1922 is as follows:

TABLE 15

Year	Tons per 100 miles
1920.....	13.88
1921.....	14.17
1922.....	14.18

XXXI

It is proper that weight should be given to delay in unloading; but it would seem that this is a matter to be compensated for in the charge for a trip, and that if there is a given percentage of delay a similar additional percentage of earnings might be expected to attach to the trip. Further, in so far as there are increases in cost of fuel, this is, again, a factor to be given weight.

Giving weight to both of these, however, it does not appear that they justify in their entirety the spread existing between 1922 rates and the 1921 rates, and to the extent the rates are high and unjustifiable.

XXXII

The main delay, so far as Upper Lake boats are concerned, has been at Port Colborne where grain is transferred from the larger Upper Lake boats to

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the smaller vessels, which traverse the canals between that point and the ocean ports on the St. Lawrence. Although some of the Lower Lake vessels go for cargoes to the head of the Upper Lakes, they are so few and so small and their trips are so infrequent that they constitute no material factor.

Then the grain must at the ocean ports be transferred from the Lower Lake or canal boats to ocean-going vessels. The evidence shows that at certain seasons of the year Fort William and Port Arthur have received 3,000,000 bushels per day or more, while at these points there is a capacity for loading out into the Upper Lake vessels variously estimated at from 5,000,000 to 8,000,000 bushels per day.

But Montreal and Quebec cannot be depended on to transfer to ocean-going vessels more than about 1,500,000 per day, or about one-half of the amount that has actually been received at Fort William and Port Arthur, and about 25 per cent of the vessel loading capacity at those points.

In the evidence submitted before the Commission, emphasis has been laid upon the transportation advantages attaching to the St. Lawrence route, and its increasing importance as a factor in the grain movement both of Canada and the United States to the seaboard.

As a practical evidence of this, reference may be made to the fact that the American grain movement from Buffalo by this route, which was practically negligible in 1920, viz., 500,000 bushels, increased to 9,000,000 bushels in 1921 and to 19,500,000 bushel in 1922.

The attention of the Commission was also directed to the plans now well under way whereby Buffalo interests and others are placing new boats on the St. Lawrence route for the year 1923.

As typical of the opinion expressed in evidence may be taken that of Mr. Stocking, of Duluth. This witness is associated with the Tomlinson Company. In evidence, at the Winnipeg sittings, in referring to the St. Lawrence route, he said, "It is the natural attractive route."

With the completion of the Welland Canal and the addition of such facilities as may be found necessary in order to take advantage of the more economical operation afforded thereby, it may be anticipated that there will be an increase in the grain traffic moving by the St. Lawrence, and that this increased traffic will be able to obtain lower rates resulting from the advantages of lower costs of transportation.

XXXIII

The Canada Steamship Lines have filed as Exhibit No. 207 a very comprehensive and illuminating statement showing the earnings of their Upper Lake vessels for the 1922 season.

Among other things, it shows the ports of loading and unloading; the exact duration of the trip in days, hours, and the fraction thereof; the commodities carried in each case; and the rates in dollars and cents for each trip. A separate account is given for each vessel. There are thirteen vessels in all; and a careful perusal of this exhibit gives the clearest indication of the differences in earnings from each branch of the business that can be obtained from any material supplied; and a study of this exhibit shows clearly that the earnings from the all-Canadian grain traffic greatly exceeds those on grain carried from Canadian to United States ports and from United States to Canadian ports; and the same is true in a comparison of the all-Canadian grain traffic with the ore traffic. These vessels have conducted a business in all-Canadian grain carriage, and all these, but the Glenmount (which made only three trips), have conducted what we might call international grain carriage; six of them have also carried ore, and ten carried coal.

In referring to transportation of grain between Canadian ports, the term "all-Canadian grain" is used. In referring to grain from Canadian to American ports and from American ports to Canadian ports, the term "international" is used.

Coal is generally moved on a fixed rate; but on cargoes moving during the last few days of the navigation period, what is called "wild" rate is used.

In view of the fact that the testimony of carriers giving evidence with regard to the ore traffic was that the rates on ore traffic are fixed between the iron interests and carriers and are perfectly satisfactory to the latter, a comparison of the hourly earnings of vessels carrying ore with those carrying grain between Canadian ports becomes very important. Table No. 16 shows the average earnings per hour of all those vessels in the carriage of grain between Canadian ports, the carriage of grain internationally, and the carriage of ore and coal.

In the table, the coal moving at ordinary rates and that moving at "wild" rates is first separated, and then the time that is taken by both is added together as is also the earnings of both, and the average hourly earnings are obtained and set out in the table. The table also shows the excess of earnings of the all-Canadian trade over each of the others.

Grain was left in store on a number of vessels in the all-Canadian grain trade, and in the exhibit filed by the company those vessels are each charged with an additional seven days to unload, while no time is allowed by the exhibit for unloading the vessels carrying coal at wild rates, though one of them is marked "to unload."

In the table 16 the seven days charged against the unloaded grain vessels is in each case charged against them, and no charge for unloading is charged against any coal vessel. The exhibit shows the time during which vessels were laid up in dry dock or otherwise, and a corresponding deduction is in each case allowed.

The time charged to each vessel and her earnings are supplied by the company in its exhibit.

- TABLE 16

	Hourly earnings
All-Canadian grain.....	\$ 42 62
International grain.....	24 27
Ore.....	29 06
Coal at ordinary rate.....	23 50
" wild "	45 25
" average "	30 31

Percentage of excess of all-Canadian grain earnings:—

Over International.....	67%
" Ore.....	42%
" Coal at ordinary rate.....	81%
" " average "	41%

It is impossible to adopt any plan for comparison of earnings from different branches of business carried on by the Canadian vessel operators that is not open to some objection.

The above table while regarded as being as fair a comparison of average earnings as is available is, at the same time, subject to the caution that it is irrespective of increase in cost in some portions of the year caused by increased hull insurance and possible losses from damage by ice against which vessels are not insured. It is subject to the further caution that there are also some unloading charges on grain that are not made in the case of ore. The latter situation would reduce the spread between the all-Canadian grain traffic and the ore traffic, but would still leave a very material excess.

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Included in the vessels covered by the above computations are the ss. *Morden*, *Emperor*, and *Collingwood*. A particular analysis of their operations in grain, ore and coal is pertinent. The detail is set out in Table 17. Special notice is directed to the third column showing the revenue per day, after deducting the handling charges on grain borne by the vessel owner.

TABLE 17

ss. MORDEN

	Gross Revenue		No. of trips	Average No. of hrs. per trip
	Per hour	Per day		
Grain.....	\$ 53 50	\$ 1,284 00	12	300
Ore.....	38 00	912 00	10	131
'Coal.....	70 00	1,680 00	1	187

*The load of coal carried by the "MORDEN" was carried at the very abnormal rate of \$1.00 per ton.

ss. EMPEROR

Grain.....	52 00	1,248 00	10	241
Ore.....	35 00	840 00	18	168
Coal.....	30 00	720 00	3	180

ss. COLLINGWOOD

Grain.....	27 50	660 00	10	238
Ore.....	25 00	600 00	9	153

Assuming that a return trip from Fort William to the Bay ports takes seven days, and to Port Colborne 11 days, a further comparison in earnings between iron ore and grain as carried by the above vessels is interesting.

The gross revenue of the ss. *Morden* in the ore trade was at the rate of \$912 per day, or \$6,384 for seven days, and \$10,032 for 11 days. To these sums must be added the fixed charges of the unloading elevators and the vessel contribution against shortages of $\frac{1}{4}$ a bushel for 1,000 bushels, representing a total of \$2,650.

Had the ss. *Morden* carried grain to the Bay, instead of carrying ore, in order to obtain an equivalent gross revenue her total revenue as against a wheat cargo would have amounted to \$9,034 to the Bay, and \$12,682 to Port Colborne.

The *Morden*'s carrying capacity is 500,000 bushels of wheat; so the equivalent rate per bushel of wheat as compared to the ore rate would have been $1\frac{3}{4}$ cents per bushel to the Bay, or $2\frac{1}{2}$ cents per bushel to Port Colborne. In other words, the *Morden* could have carried wheat at $1\frac{3}{4}$ cents to the Bay and $2\frac{1}{2}$ cents to Port Colborne instead of carrying iron ore, and obtain the same revenue.

A similar comparison on the ore and grain carried by the ss. *Emperor* in 1922 establishes that this vessel instead of carrying ore with a gross revenue of \$840 per day could have carried wheat to the Bay at $2\frac{1}{4}$ cents per bushel and to Port Colborne at $3\frac{1}{6}$ cents per bushel, and obtain the same result.

From the season's operation of ss. *Morden*, another comparison may be drawn as to gross earnings in iron ore and grain in terms of tons per day.

The vessel carried ore on 10 trips, at an average rate of $1.38\frac{1}{2}$ cents per ton, the average time per trip being 131 hours, representing a rate of 7 cents per ton per day.

On 12 trips, the same vessel carried an average of 13,700 tons of grain, with an average gross revenue of \$1,284 per day; equivalent to a rate of $9\frac{1}{2}$ cents per ton per day.

It has been advanced that the ore rate is a controlling factor as to grain rates in the United States; that is to say, grain is not attractive if it falls below the earning level of the ore rate.

In 1921, the Canadian vessels carrying grain to Buffalo had an average rate of 2.14 cents. In 1922, it was said there was considerable "distress" tonnage, which resulted in a low level of rates; but the average for the Canadian vessels to Buffalo and Lake Erie ports in 1922 was 2.19 cents.

As already pointed out, the average of rates on Canadian vessels to Buffalo and Lake Erie ports was held down by the fact that their participation in that traffic was almost exclusively in the earlier part of the season when rates were lower.

Discussion took place with reference to the differentials which should properly exist as between rates from the head of the Lakes, on the one hand, to Buffalo and Bay ports on the other. The question of the differential between Lake Michigan ports and Bay ports, on the one hand, and Buffalo, on the other, was also raised. It was suggested that differentials of from $\frac{1}{2}$ cent to $\frac{1}{4}$ cent might exist, according to the rate levels existing. It was further suggested that when the rates were low there should be no differential that as the sales increased there should be a differential of $\frac{1}{2}$ cent; that with higher rates there should be a differential amounting to $\frac{1}{4}$ cent. No opinion was expressed as to the proper spread in the event of rates going still higher. In general, while opinions were advanced, it cannot be said that anything definite was put forward which it was contended exactly measured the proper difference in rates.

Taking into consideration the different factors involved, rates between Canadian ports in 1922 were discriminatory as compared with the rates charged by Canadian vessels to American ports.

XXXIV

It is admitted that a meeting was held in Toronto on May 4, 1922, at which four of the largest Canadian vessel companies operating on the Upper Lakes were represented. These companies were the Canada Steamship Lines, Limited, the Great Lakes Transportation Company, the Mathews Steamship Company and the Algoma Central. These companies appear to operate about 90 per cent to 95 per cent of the tonnage on the Upper Lakes and may reasonably be said to constitute a virtual monopoly.

It is admitted that at this meeting rates were fixed which were to remain the going rates until conditions were such as would call for a change. The rates agreed on are as follows:—

TABLE 18

May 4, 1922

CHICAGO TO MONTREAL

CORN

Chicago to Colborne.....\$	2 25	Chicago to Bay.....\$	2 00
Colborne to Montreal.....	6 75	Insurance.....	0 21
	<hr/>	At and East.....	8 05
	9 00		<hr/>
			10 26
		Chicago to Colborne.....	2 25
		Insurance.....	0 42
		Colborne to Montreal.....	6 75
			<hr/>
			9 42

FORT WILLIAM TO MONTREAL

WHEAT

<i>All water</i> —		<i>Lake and Rail</i> —	
Fort William to Colborne.....\$	3 00	Fort William to Bay.....	2 50
Colborne to Montreal.....	6 75	At and East.....	8 60
	<hr/>	Insurance.....	0 42
	9 75		<hr/>
		Fort William to Montreal.....	9 75
		Insurance.....	0 84
			<hr/>
			10 59

FORT WILLIAM TO MONTREAL

OATS

Fort William to Colborne.....	2 50	Fort William to Bay.....	2 00
Colborne to Montreal.....	4 25	At and East.....	5 12
	<hr/>	Insurance.....	0 15
	6 75		<hr/>
		Fort William to Montreal.....	6 75
		Insurance.....	0 30
			<hr/>
			7 05

BARLEY

Fort William to Colborne.....	3 00	Fort William to Bay.....	2 50
Colborne to Montreal.....	6 25	At and East.....	7 69
	<hr/>	Insurance.....	0 27
	9 25		<hr/>
		Fort William to Montreal.....	9 25
		Insurance.....	0 54
			<hr/>
			9 79

Another meeting was held in New York a few days later when these companies were represented by delegates chosen at the Toronto meeting. At the New York meeting, there were also representatives of American railroad companies operating from Buffalo to the Atlantic coast. The American railroads had threatened a cut in rates; but after this meeting the threatened American rate cut was abandoned.

The pertinent portion of the discussion is summarized in the following extract from Minutes of New York meeting, May 8, 1922:—

During an extended discussion of conditions, it developed that the current all-water rates of Canadian steamship lines on export wheat to Montreal are:—

From Fort William.....9 $\frac{3}{4}$ c. per bushel
From Chicago.....9 $\frac{1}{2}$ c. per bushel

with corresponding rates on other grains; also that the rail rates from Georgian Bay ports to Montreal are now lower than $\frac{1}{2}$ per cent per bushel less than the net at-and-east rates from Buffalo to New York; and further, that in the all-water movement from Chicago or Fort William, either direct or out of Buffalo elevators, the Canadian steamship lines for the haul east of Port Colborne through the Welland canal will apply as their proportion, the differences between the going rate to Port Colborne and the through rates above named from Chicago or Fort William as the case may be.

It was understood:

"1. That no change would be made in those rates from Georgian Bay ports, or the proportion from Port Colborne or Buffalo, or in the current export at—and—east rates from Buffalo to North Atlantic ports, without further conference of all interests which were represented at this meeting.

"2. That a meeting for the consideration of matters affecting the handling of export grain via Montreal and North Atlantic ports would be promptly called by the Chairman of this conference upon the request of any of the interests here represented.

"3. That any reports of alleged departures from the foregoing would be brought to the attention of the Chairman before action is taken thereon by any of the interests.

"Adjourned.

"ROBERT N. COLLYER,

"Chairman of Conference."

"J. GOTTSCHALK,
"Secretary."

On July 28, another meeting was held in Toronto and an increase in rates to Port Colborne was arranged from 3 cents to $3\frac{1}{2}$ cents, and to Bay ports from $2\frac{1}{2}$ to 3 cents; but no increase from Port Colborne to Montreal. The advance in the price of coal was given as the reason for this increase.

Counsel for the Great Lakes Transportation Co. denied that his Company was represented at the last-named meeting; but his Company appears to have acted on the decision arrived at there.

XXXV

It has been argued that while the existence of a combine at one time is admitted, that combine was ended when, later on, the law of "supply and demand" was allowed to operate. There seems, however, some ground for holding that the fixing of rates on May 4 and July 28 was evidence of a combine and a general understanding between the Companies concerned rather than that it constitutes a combine in itself. This is corroborated, to some extent, by the fact that later on in the season when some milling companies having contracts for the transportation of grain at rates which were to be based on the going rates wished to procure grain on those contracts, the practice was for the carriers and the millers to wire to their agents at Winnipeg for the going rates, and the answers were accepted as to the going rates; and the evidence submitted by the Manager of the carrier showed that the answers were almost always the same.

The fact seems to be that so far at least as the 1922 season was concerned when the fixing of rates suited the carriers, they fixed the rates without con-

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sulting the producer, whose grain they were carrying, or the shipper from whom they were to receive the grain; but when the demand for space by shippers became so great that they could scarcely meet it, they allowed the law of "supply and demand" to operate to a great extent, but still acted so well in concert that the going rate from day to day was easily ascertainable.

XXXVI

In answer to the charge of high and unreasonable rates, the three largest companies have filed with the Commission statements which they claim show their profits from their grain trade during the year 1922. Those statements show that they claim to be the amount of net earnings over and above their operating and overhead expenses, and the value of the vessels employed. The smaller companies did not appear before the Commission.

In the valuation of the ships of the Mathews Steamship Company, the expert, Captain Foote, who prepared the valuation, set out three items, viz., replacement value, depreciated value and fair market value. The depreciated value is arrived at by applying to the replacement value, an annual depreciation ratio of 4 per cent. The fair market value as set out is somewhat in excess of the depreciated value. On the figures as submitted, the approximate excess is 5 per cent. The fair market value is frankly an opinion. It is not based on current sales, if any, of tonnage. As summarized by the witness, he takes into consideration what price he, as a purchaser, would be willing to invest in the ships. His opinion is not based on the current price per ton. The values as presented were not based on a cost analysis. It is an expert opinion based on the experience of the witness.

Mr. Calderwood, another expert of varied experience and prominence in his professional work, made valuations both for the Great Lakes Transportation Company and the Canada Steamship Lines. The latter valuation is not a detailed valuation for each ship. In the case of the Great Lakes Transportation Company, he includes an allowance for operating value of the fleet as a successful shipping organization. This is open to the criticism that while it may be a factor as affecting sale price it cannot well be taken as a factor for rate purposes, because the rate-earning power is the measure of the worth of the company as a going concern. And to take this as measuring the rate earnings of the Company is to travel in a circle.

While allowance was made for the operating value of the Company as a going concern, there was no evidence of what this amounted to either in gross sum or in percentage. Further, it does not appear, whether any such factor was made use of in the valuation of the Canada Steamship Lines, which works out on a per-ton basis at a lower figure than in the case of the Great Lakes Transportation Company.

In dealing with replacement value, the witness did not consider what tonnage could be bought for. He stated that experience tables of depreciation had not been worked out on lake tonnage, and that he simply used his best judgment. In computing depreciation, he made no allowance for salvage, although this is a factor to be given weight.

XXXVII

The Canada Steamship Lines showed their profits to be only 9.367 per cent on the appraised value of their boats. The Great Lakes Transportation Company claim their profits for the same year to be only 11 per cent on the appraised value; and the Mathews Steamship Company claimed theirs to be 10.24 per cent on fair market value.

It is very difficult to test the accuracy of these statements, and without saying that they are in a general way unfair, it may be said that some evidence has been submitted which shows ground for questioning the accuracy of the material filed by those Companies.

The Great Lakes Transportation Company gives in Exhibit 266 appraised value of all their vessels at \$3,251,528. Exhibit 290 gives valuation of ten vessels (*Glenclova* not included), \$2,726,528. The Commission is not advised as to the price paid for this vessel.

At page 2359, in answer to a question, Mr. Calderwood, the Company's valuator, values the *Glenclova* at "about" \$525,000. This added to his valuation of other boats would bring the amount up to the valuation in Exhibit 266. He gives details of the condition, size and capacity of all the other boats, but none whatever regarding the *Glenclova*. The Lake Carriers' Association Report, 1922, gives the gross tonnage of the *Glenclova* at 1,923 tons, but does not give the dead weight tonnage. If allowed a dead weight of 2,900, she will be worth, according to the highest valuation per dead weight given by Mr. Calderwood, which is \$101 (on the S.S. *Glenmaris*), \$292,000. The average valuation placed by him on the Great Lakes Transportation Company's boats is \$55.70 per dead weight ton. At this valuation, the *Glenclova* would be worth \$161,530; and according to the average dead weight tonnage values, placed by him on the Canada Steamship boats of \$43.40, she would be worth \$125,860.

Everything would appear to indicate that the valuation placed on the *Glenclova* is a mere guess and that it is a very considerable over-valuation. That valuation is included in the gross sum on which the Company estimates that it only received a return equal to 11 per cent interest on the value of the property, and if that gross valuation should be reduced then the rate of interest would be increased.

Mr. Playfair, President of this Company, in his letter in support of a new issue of bonds, dated July 5th, 1922, says:—

"The net earnings after deducting depreciation for the year ending December 31st, 1921, exceeded five times the amount required for interest on this issue."

Five times the amount required for interest on the issue would be \$350,000; but in Exhibit 329, which was put in as part of the evidence of the Company, it is stated that the net earnings of 1921 were only \$133,794.39. No satisfactory explanation of this astonishing difference is tendered.

Some of the evidence submitted in connection with the business of the Mathews Steamship Company requires further and more satisfactory explanation than was given.

In Exhibit 279, Mr. Mathews, President of the Mathews Steamship Company, puts the price of the *Mathewston* at \$800,000, and the *Berryton* at \$375,000.

The alleged fair market value given in Exhibit 289, on which the Company bases its earnings, is placed on these boats as follows:—

In Exhibit 279, Mr. Mathews, in a letter in support of an issue of bonds, dated August 20th, 1922, says, in speaking of the Mathewson—

"This boat has just been completed by the Port Arthur Shipping Company at a cost of \$800,000, and was launched on August 12th, 1922." The Commission sees no explanation of the advance in price of this vessel.

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In explanation of the increased price of the Berryton, Mr. Clark, Secretary of the Company (*at p. 2280*), says.

"We had to spend a lot of money on her; we had to have the boiler fitted with new safety valves and stay tubes. There is quite a lot of expense in changing a boat."

When asked as to the date of the improvements, he said—

"When we changed her about, I think it was in April."

Mr. Mathews, in the above-mentioned letter dated August 20th, places the cost of those two boats at \$1,175,000; and in the same letter he says—

"The average annual net earnings derived from operation, after depreciation and taxes for the five years ending January 31st, 1922, amounted to almost five times the total interest charges on the bonds now outstanding including the present issue. Preliminary figures for the first half of the year 1922, indicate that the earnings for this year may be considerably in excess of the above proportion."

The bond issue was \$700,000; the interest on that would be \$49,000. Five times that would be \$245,000; but in Exhibit 277 the Company claims that its operations for the year 1922 up to the first of September resulted in a loss of \$29,709.61.

Possibly further explanations might have been given by the Presidents of these Companies had they not been out of Canada on their winter vacations.

The increase of the 1922 rates over those of 1921 is so great as to place the onus on the Companies of justifying that increase; and they have not satisfactorily performed that duty. It must be remembered that the Companies that combined to fixe rates for the transportation of grain constitute, as has been said before, a virtual monopoly.

XXXVIII

In this connection, we may here refer to the fact that the provisions of the Criminal laws of Canada and of the United States and the provisions of the English Common Law with reference to restraint of trade have been frequently referred to in the addresses of the distinguished Counsel who have appeared before the Commission.

The Commission does not think it is called upon to decide whether or not there has been a violation of any of these provisions; but some knowledge of them and of the decisions of Courts based on those laws should be useful in giving the Commission an idea of the views of Legislators and Judges on the importance of open competition in trade, on the danger of allowing interference with that competition and the necessity of restraining the actions of any persons or corporations constituting monopolies or virtual monopolies. The Commission also gets from the decisions in question some idea of what, in the opinion of the Judges, constitutes a virtual monopoly.

It would seem that the primary thought in the minds of those framing the Canadian and American Criminal Laws was to ensure the safety of open competition, and to discourage anything that would unduly prevent or even lessen such competition.

Were the Commission dealing with criminal charges, the intentions of the persons or corporations involved might be of paramount importance. It seems to the Commission, however, that it is not so much interested in these intentions as in the effects, or probable effects, of permitting those constituting a virtual monopoly to prevent or lessen competition or in any other way to make the monopoly effective.

The decision most frequently quoted to the Commission was that given in the Canadian Supreme Court in the case of *Weidman vs. Strange*, 46 S.C.R. 1. In that case, the parties who had entered into an agreement, which was decided to be a violation of the Canadian Criminal Law, controlled 90 per cent or 95 per cent of the business involved; and this was decided to be a virtual monopoly.

The Steamship Companies represented at some of the meetings, at which it is claimed a combine was entered into, controlled practically the same percentages.

Open competition in this traffic is what the general public is interested in. The primary object, therefore, to be considered is the effect of permitting those holding a virtual monopoly of an exceedingly important line of business to do anything to prevent or lessen competition even among themselves. Neither the intentions of the parties nor the presence of a pool have anything to do with the result. It is the result of the actions, not the intentions of the party nor the manner of dealing with the profits, that concerns the persons affected.

If it be necessary that the principles of open competition must be so sacredly guarded, it becomes necessary that the actions of corporations constituting a virtual monopoly shall be critically scrutinized, and that all reasonable steps should be taken to ensure that open competition is interfered with to the least possible extent.

XXXIX

Prior to the formation of the Canada Transportation Company in 1913, there was open chartering and open competition among brokers, with a great many direct charters with vessel owners.

The Standard Shipping Company was formed at that time and got the exclusive right of chartering from the Canada Transportation Company and its successors, the Canada Steamship Lines, Limited; the contract providing for the exclusive right has been renewed from time to time, and its last renewal provides for its continuation until the year 1940.

In 1914, Belcher & Company, a brokerage firm, was organized by Mr Belcher and Mr. Roy Wolvin, the President of the Standard Shipping Company, for the prosecution of a vessel broker's business outside the merger. Up to that time, it would appear that most of the boats on the Upper Lakes were owned and operated separately. The combination and mergers were gradually formed.

From 1917 to 1919, the Winnipeg brokers operated in Winnipeg as a Chartering Committee under joint management, and the profits were divided on the basis of the business handled by such firm during the preceding years. The Standard Shipping Company received 74 per cent of the whole amount during those years, showing that it had practically done 74 per cent of the business previously.

Mr. Walter Hall was appointed as agent to see that each shipper got his proper share of space, and Mr. Stewart, of the Wheat Board, stated in his evidence that this Chartering Committee had given good service. Since that time, the business appears to have been largely in the hands of the Standard Shipping and Tomlinson Companies.

The present practice in Winnipeg is that the chartering of vessels or space therein, is done by agents generally known as vessel brokers. The work, so far as Canadian Work goes, being nominally in the hands of the Standard Shipping Company, managed by Mr. L. H. Wolvin, a brother of Mr. Roy Wolvin above mentioned; the Tomlinson Company, managed by Mr. Spendlove; and

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the Western Shipping Company, managed by Mr. Rulo. It is questionable if the Western can be called an independent company; one of its organizers and directors, as well as owner of one-third of its stock being Mr. L. H. Wolvin of the Standard Shipping Company, and its manager being Mr. Rulo, Mr. Wolvin's former deputy, who appears to hold nearly another one-third of the stock.

XL

It would seem necessary to have some person or persons to act in some such capacity in shipping centres such as Winnipeg; at least the practice of having agents or brokers to look after the letting of vessels or space to the grain dealers instead of direct contracts between the vessel operators and the shippers seems to be nearly universal at American and Canadian Grain-shipping points. The shippers appearing before this Commission appear generally to look on the broker as a necessary link in the trade. This feeling was well put by Mr. Stewart, at page 236 when he says—

"I like to be able to drop into the broker's office here and get an intelligent review of the situation."

He repeats this on page 227, and adds, "I would feel at a loss if I were not able to do it." And he gives many instances of advantages obtainable through a vessel broker being ~~on~~ the ground.

Mr. Wolvin names services performed by the broker to the vessel owner and says that he secures cargoes for the vessel owner ~~and says that he secures cargoes for the vessel owner~~, keeps him advised as to the conditions at the different lake ports, attends to the collection of freights and remits them, meets with the carrier from time to time to line up a programme to be followed for a short period, and looks after the loading of boats and arranging the cargoes to fit the available space, so that they may have the greatest revenue-producing cargo possible.

The contract between the Canada Steamship Lines and the Standard Shipping Company details the following services to be rendered by the broker: The broker is to attend to the chartering of grain cargoes for vessels owned, leased, or operated by the carrier, or any of its subsidiary companies at rates determined by the carrier and communicated to the broker. The broker is to maintain the Winnipeg offices and sufficient and suitable employees to handle all the carrier's grain-chartering; to maintain at Fort William and Port Arthur offices and sufficient and suitable employees to arrange for loading vessels; and to act at all these points as agents of the carrier, and furnish free office room in those places for representatives looking after the carrier's business; the brokers to pay all necessary telegrams in soliciting business and telegrams sent by brokers to Fort William, Port Arthur, Toronto or Montreal to carrier or others relating to the grain business of carrier.

Mr. Wolvin claims the broker serves the shipper also, but is more vague in describing that service. He says that he benefits the shipper by arranging for the necessary space for his different parcels of grain of different kinds and quality; and by re-arranging his contract when his plans change, by enabling him to get space at a different time from what he originally ordered when it suits the shipper; and keeping him advised as to the conditions in the shipping world and as to probable future rates and supply of space.

The contract previously referred to provides that the broker shall have no charge, lien or claim against the carrier or any individual vessel for his services or disbursements, but in lieu thereof shall have the placing of all marine insur-

ance on all grain carried, and shall have the right to make the placing of such insurance for the shipper a term with the proposed shipper, in arranging any charter party for the carrier.

The carrier reserves the right to make direct charter party with any shipper, but in such cases it is provided that the marine insurance on the cargo must be placed through the broker who is entitled to the full commission, or that the shipper must pay to the broker the full commission allowed to the broker by the underwriter with whom the broker is doing business on the regular tariff basis then obtaining. No evidence has been produced of any similar written contract; but the general practice seems to have been the same in other cases so far as the mode of compensation is concerned, except that in some cases an additional fee is paid by the carrier direct to the broker. In the United States, this additional fee seems to be universally 20 cents per thousand bushels, wheat basis; while in Canada the fee generally paid is \$25 or \$40 per cargo. There is no evidence of any other written contract where the broker is given the exclusive right of chartering vessels; but in Canada and the United States it seems to be quite common practice for one broker to do all the chartering for some particular carrier or firm of carriers. Some direct chartering of cargoes on vessels proceeding from Fort William and Port Arthur has been done in the East by some carriers for special clients, but that, apparently, has not been done in any case in Winnipeg. That practice seems to be pretty well confined to transactions covering the transportation of grain between the Mathews Steamship Company and Eastern millers, and between the Great Lakes Transportation Company and James Richardson & Sons, Limited.

XLI

The Marine insurance on grain carried by vessels on the Great Lakes is written through the vessel broker in almost every case. A clause appears in the Chartering Contract which compels the grain shipper to insure his grain through the vessel broker, in other words, the grain shipper cannot procure tonnage from Fort William east unless he insures his grain through the vessel broker who is the agent of one or more insurance companies.

In a few cases, some grain shippers are allowed to write their insurance directly; in such cases, they pay to the vessel broker as a chartering fee the equivalent of what they would have to pay if they insured through the vessel-broker; that is 35 per cent of the insurance premium.

This practice, which originated in the United States more than twenty years ago, where it is still in force, and was imported to the Winnipeg market by the vessel-broker, is considered a fair method of remuneration by the vessel-broker for the services he renders when chartering vessels or space for the grain shipper.

An open policy is issued by an insurance company to a vessel-broker to cover all shipments of grain over the Great Lakes booked by him during the year. Blank certificates bearing the signature of the insurance company are issued to the vessel-broker, who fills them and signs them when booking a shipment. The certificate has no value unless it is countersigned by the vessel-broker; a duplicate is sent to the insurance company, and the collection of the insurance premium is made at the end of each month.

The following table shows, in column 2, the marine insurance rate paid by the grain shipper through the vessel-broker; and in column 3, the marine insurance rate obtainable at different periods in 1922 from Fort William to the Bay and Erie ports:—

TABLE 19

Period	Rate per \$100.00	
	Through vessel- broker	Written direct
April 1st—Nov. 30th.....	\$0 30	\$0 15
Dec. 1st—Dec. 5th.....	1 00	50
Dec. 6th—Dec. 8th.....	1 25	62½
Dec. 9th—Dec. 10th.....	1 50	75
Dec. 11th—Dec. 12th.....	2 00	1 00
After Dec. 12th.....	2 50	1 25

The marine insurance rate to Montreal in 1922 runs 60 cents per \$100.

Previous to the year 1922, the commission received by the vessel-broker varied between 25 per cent and 45 per cent of the insurance premium. In the early part of 1922, it was agreed between Mr. L. H. Wolvin, of the Standard Shipping Company, and Mr. Chubb, an insurance underwriter of New York, that the commission of the vessel-broker would be 35 per cent of the insurance premium. This agreement prevailed on the Winnipeg market during the year 1922.

Some grain shippers objected strenuously to the clause in the Chartering Contract which compels them to insure their grain through the vessel-broker, claiming that they could have insured their grain at half the price had they been allowed to write their own insurance directly. In the summer of 1922, the insurance rate through the vessel-broker was 30 cents per \$100, when a rate of 15 cents per \$100 could be procured.

The disparity in insurance rates is especially notable towards the close of navigation when the rate through the vessel-broker rises rapidly to as high as 2½ per cent, while half of that rate can be obtained.

The United Grain Growers furnished the following figures to establish what saving they would have made had they been allowed to write their own marine insurance directly in 1922. Their total shipment was 22,000,000 bushels of all grains, and the insurance premium amounted to \$103,000, of which the vessel-broker received 35 per cent, figuring to \$36,050.

Had the United Grain Growers been allowed to write their insurance at the rate they could procure, which was exactly half the rate they had to pay through the vessel-broker, the total insurance premium would have amounted to \$51,500. In this special case, it is interesting to establish how the total charge for marine insurance and brokerage is affected by the three following methods of remuneration to the vessel-broker:—

(1) Allowing the vessel-broker 35 per cent of the insurance premium at his own tariff, equivalent to \$36,050, then the total amount paid by the United Grain Growers, for marine insurance and brokerage, would have amounted to \$87,550 instead of \$103,000—a saving of \$15,450.

(2) Allowing the vessel-broker 35 per cent of the low marine insurance premium (\$51,000) as a commission for his services, which seems more reasonable, the total charges for marine insurance and brokerage would have amounted to \$69,525, instead of \$103,000—a saving of \$33,475.

(3) Allowing the vessel-broker a chartering fee of $\frac{1}{8}$ cent per bushel, the fee he received when the Wheat Board was functioning (see evidence of Mr. Stewart, pp. 199 and 202), his commission on 22,000,000 bushels would have amounted to \$27,500, and the total charges for marine insurance and brokerage would have amounted to \$79,000 instead of \$103,000—a saving of \$24,000.

One witness testified that in the case of direct chartering and insurance between the Great Lakes Transportation Company and James Richardson & Sons, Limited, a percentage of commission was paid to the Winnipeg broker representing the Great Lakes Transportation Company; but there is no evidence to show whether or not any light payments were made in any other direct eastern chartering and insurance.

XLII

Previous to the Wheat Board, there was a mutual arrangement whereby the vessel, the loading and unloading elevators divided the loss on grain shortage. There came a time when the loading elevator refused to share the loss and the out-turn insurance was resorted to as a form of compromise in order to meet the difficulty.

The following is excerpted from the report of the Board of Grain Commissioners for Canada, on the Movement of the Grain Crop, 1918-19 *pp. 25-26.*

"The system of insuring against shortages has grown up since the war began. It was applied first to American steamers by the Wheat Export Company and then to Canadian steamers.

"After the Order in Council, P.C. 2153, dated September 5, 1918, was enacted, the Board of Grain Supervisors sought to draft regulations for the approval of the Governor in Council on this matter of shortage insurance. A reduction in the rate charged for insurance was offered, and shippers of grain felt that if the system of insuring against shortages would be applied in any case to American vessels, it was expedient to accept the substantial reduction in premiums and to reserve further consideration of the matter until a later date."

The evidence shows clearly that after deducting overages from shortages there is during the year a shortage of about $\frac{1}{3}$ bushel per 1,000 bushels on grain cargoes moving from Fort William to Eastern Lake ports.

It is a vexed question between the different parties interested, and it seems different to place the responsibility on anyone in particular. The loading elevator claims that it delivers the exact quantity of grain as called for by the Bill of Lading; the vessel owner claims he has no control over the loading and unloading of his vessel, and that he delivers every pound of grain he has received; while the unloading elevator will only credit the cargo for the weights registered by the scales.

Apart from human errors, it appears that shortages are principally due to the following causes: the loss of dust during the transmission of grain between the elevators and the vessel, which affects the weight; a possible slight edge in the weighting in favour of the elevator; and a possible grain shrinkage.

The out-turn insurance is taken by the grain shipper through the vessel broker as a protection against shortages. The rate charged is 9 cents per \$100 and the commission of the broker is 15 per cent of the insurance premium. A clause appears in the Chartering Contract compelling the grain shipper to write his out-turn insurance through the vessel-broker.

The same system is in force in the United States where the insurance premium is $13\frac{1}{2}$ cents per \$100.

Some grain shippers have objected strongly to the out-turn insurance, claiming that they are not responsible for shortages, and that the charge is unfair.

It has been suggested that the vessel owner should take care of the shortages through the freight rates.

XLIII

The contract between the Canada Steamship Lines, and the Standard Shipping Company is quite clear that the carrier fixes the rate. It was emphatically contended at the Montreal sittings, by Mr. Enderby, the operating manager of The Canada Steamship Lines, Limited, that he alone had the rate fixing power, in regard to the business carried by his company; and he produced in this connection copies of the instructions he had from time to time issued to Mr. L. H. Wolvin.

Under the contract, there is no provision for participation in rate-fixing by the Standard Shipping Company, there is no evidence before the Commission that the Standard Shipping Company in any way participated in the rates charged for space, by way of receiving any portion of such rates. On the record—and there was no suggestion before the Commission to the contrary—the recompense of the Standard Shipping Company is limited to what it receives for its brokerage services.

At the same time there is, in practice, a close inter-relation between the Standard Shipping Company acting in its advisory capacity, and the Canada Steamship Lines. The matter of the practice was developed in the evidence of Mr. L. H. Wolvin, at Winnipeg pp. 978-980. In substance, his testimony was:—

(1) He can, at his own discretion, make emergency or "distress" rates, this being left to his judgment since he is on the ground.

(2) He can, notwithstanding the rate quoted by Mr. Enderby, quote a lower rate rather than lay the tonnage up;

(3) He has power to exceed the rate quoted by Mr. Enderby without the necessity of any specific authorization for any such action.

It should at the same time, in fairness, be said that Mr. Wolvin, in his evidence, said that when he was approached by a shipper who desired to make a contract for a large amount at a future date, it would be necessary for him to go into the matter with his principals.

It would, however, appear that in practice, the Standard Shipping Company is a very essential part of the rate-fixing mechanism of the Canada Steamship Lines.

Mr. Wolvin, of the Standard Shipping Company, and Mr. Spendlove of the Tomlinson Company, were at the 4th of May meeting in Toronto when the carriers met and arranged for the charging of certain rates; but they were there on the invitation of the carriers.

There has been some suggestion of speculation in space and a lack of competition among brokers, and suggestions have also been made that were the custom of chartering vessels rather than space on the vessels adopted, the situation in that respect would be improved. The question of the comparative charterings of cargoes or space has elsewhere been dealt with, but it seems to the Commission that this is a matter which may well be left with the shippers, carriers and brokers, as the Commission is not convinced that it has any material effort either in causing or preventing speculation by brokers or competition among them. Were the custom of speculation among brokers common, it would constitute a temptation to the brokers to use such powers as their advisory position gives them to unduly advance rates in the hope of making a profit on the space at their disposal; but the evidence does not satisfy the Commission that such speculation has been practised to any material extent. It seems clear that competition on the Canadian side is not nearly so keen as on the American side. In fact, among Winnipeg brokers, it is almost non-existent; but the natural explanation of this is the absence of any real or active competition among the Upper Lake vessel companies, by whom the brokers are employed. So long as

there is a practical monopoly of that traffic in the hands of three or four companies who find it so easy to get together to arrange rates, there is not likely to be very serious competition among the brokers.

The persons really interested in the charges for cargo insurance are the shippers whose grain is being insured. They are personally interested in seeing that the insurance is placed with perfectly safe companies at the lowest possible premium. The only personal interest the broker has is in having the highest possible rate of premium. The higher the premium the shipper has to pay, the higher the broker's commission.

While the shipper will undoubtedly pass on to the producer or consumer the premium he has to pay, still he is interested in procuring his insurance at the lowest rates, for the lower his insurance rates the less he has to deduct from the price he pays, for the grain he must buy for shipment; and in competition with other shippers, he must see that he keeps the cost of insurance, as well as his other costs, at the lowest possible amount, consistent with safety.

Some effort was made to ascertain what remuneration to the broker for his services would be fair, in case he were deprived of his present source of remuneration; but none of the witnesses questioned appear to have given the subject sufficient study to give their opinions any material value. The shippers questioned did not appear to care very much what the remuneration amounted to so long as they were not discriminated against in favour of their competitors.

The rates allowed the brokers for their services as members of the Chartering Committee during the last years of the war were referred to but the usefulness of those rates is somewhat affected by the willingness at that time to allow excessive rates for work of all kinds. Prices and salaries were high. Efficiency was what was needed rather than economy.

In short, there was no evidence given before the Commission that will enable it to give any well-considered opinion on the subject of the proper amount of such remuneration.

XLIV.

A perusal of some Exhibits filed with the Commission gives the following information with reference to the relation of inter-locking interests connected with the Canada Steamship Lines Limited, the Standard Shipping Company, the Mathews Steamship Company, and the Western Shipping Company.

In Exhibit 244, it appears that on the 5th October, 1920, at a meeting of the Executive Committee of the Canada Steamship Lines, Limited, Mr. J. W. Norcross, President, in the chair, it was resolved to extend the contract between the Canada Steamship Lines, Limited, and the Standard Shipping Company for a further period of twelve years from the 5th November, 1928. The contract referred to is an agreement between the Canada Steamship Lines, Limited, and the Standard Shipping Company, whereby the latter company was given the exclusive right of chartering the vessels owned by the Canada Steamship Lines, Limited, engaged in the grain trade.

In the same Exhibit, it appears that on the same date, October 5th, 1920, this contract extension was approved by the Board of Directors of the Canada Steamship Lines, Limited, with the President of the Company, Mr. Norcross, in the chair.

Exhibit 83 shows an agreement between the Canada Steamship Lines, Limited, and the Standard Shipping Company dated 18th October, 1921, whereby the exclusive right of chartering vessels of the Canada Steamship Lines, Limited, engaged in the grain trade, which had been granted to the

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Standard Shipping Company in a previous contract expiring in the year 1928, is extended for a further period of 12 years, to the year 1940. The agreement was signed by Mr. J. W. Norcross as President of the Canada Steamship Lines, Limited, and Mr. R. M. Wolvin as president of the Standard Shipping Company. Mr. R. M. Wolvin, was, at the time this agreement was executed a director of the Canada Steamship Lines, Limited.

In Exhibit 243, it appears that Mr. J. W. Norcross became a director of the Standard Shipping Company at the time of its organization in 1918, and remained a director thereof until the annual meeting of that company held on the 3rd of May, 1922.

In the same Exhibit, it appears that Mr. Norcross transferred all of his shares in December, 1919, and January, 1920, less five shares, to the Colborne Trading and Transportation Company, Limited, and that the remaining five shares were also transferred to the same company on the 7th October, 1922. The Exhibit also shows that the stock of the Colborne Trading and Transportation Company, Limited, is entirely held by Mr. Norcross and his family.

In the Minutes of a meeting of the shareholders of the Western Shipping Company, Limited, held on the 13th July, 1922 (Exhibit 20), it appears that Mr. A. E. Mathews, and Mr. Lee Wolvin were made directors of the Western Shipping Company, Limited. Mr. Mathews was elected president of the Western Shipping Company, Limited, at a meeting of the Directors held on the 13th July, 1922.

Mr. Lee Wolvin is a Director, and the General Manager of the Standard Shipping Company. Mr. A. E. Mathews is the President of the Mathews Steamship Company.

XLV.

In the evidence of Mr. Wright, an analysis was made of the costs intervening between the producer and the purchasers of the grain at Liverpool. From this it was developed in argument that, as various routes were necessary in order to get the total amount of grain to destination, it followed that the most expensive route was as essential as the cheapest route; that is to say, it was urged that it was the most expensive route which fixed what the total charge must be. From this it was argued that if there was any reduction in any part of the charges so fixed, it would not enure to the advantage of the producer.

In dealing with through rates by rail, regulative tribunals have held that the divisions of the through rate between carriers did not matter, so long as the total rate was not unreasonable. At the same time, the regulative tribunals have usually had power to call for information in the case of need, so that by having before them information as to the division of the through rate they could measure the reasonableness of the total rate.

The argument advanced, which has been above referred to, is more ingenious than conclusive. The Commission has to deal with rates as it finds them, within the scope of its jurisdiction; and if it finds a rate falling within its jurisdiction unreasonable or discriminatory, it has to deal with the situation as it finds it. The fact that there may be other charges beyond the scope of the Commission's jurisdiction, concerning which it has had no opportunity to investigate, because it has no control, does not justify it in neglecting the facts affecting the rate which is under its control. The further fact that there may be some economic friction to overcome before revision in rate finds its way to the producer is not an answer to the contention that the finding shall be made according to the facts as found. The ingenious argument advanced would mean that in every case of international competition involving two or more routes to get to a common destination, it would be beyond the power of any organization in the country of origin to deal with the portion of the rate existing within that country.

XLVI

Some incidental references were made to the possibility of a part of the delay in handling grain forward to the sea-board having arisen from the accumulation of unsold grain in the elevators; that is to say, grain which had been started on its way to the sea-board without sale having been arranged, it being expected that sale would be arranged subsequent to date of its movement from the Head of the Lakes.

The Commission has given consideration to the question whether it would be feasible to work out an arrangement whereby through some preference to sold grain there would be less danger of congestion arising from a speculative movement of unsold grain. It has been suggested that if such an arrangement were feasible it would be highly desirable.

The Commission has had before it consideration of the permit system with the railways, which the Board of Grain Commissioners put into effect last fall in the movement of grain between Calgary and Vancouver. This, it is understood, is an arrangement which could be worked out as both elevators were Government-owned, and grain could, therefore, be moved by the railways from Calgary as quickly as the same was shipped out from the Vancouver house.

Consideration has also been given to the question of whether the Lake Shippers' Clearance Association could not be given an extended jurisdiction to cover not only the Head of the Lakes but the Bay ports as well.

It appears, however, that the situation would arise that the shipper of grain having a given quantity in an elevator at the Head of the Lakes might not have the grain sold out, while he would at the same time have chartered freight space for the same. Under these circumstances, he would load his space and move the grain down to the Bay ports, expecting during the transit of the grain to sell the same. If a preference to the sold grain were given, this would back up the unsold grain, and so would interfere with the expeditious movement at the Head of the Lakes.

In the opinion of the Commission, there is no conclusive evidence that unsold grain had any material bearing on the creation of the congestion which was so often referred to in the evidence.

On consideration, it would, therefore, appear that under established conditions in the grain trade, having further in mind the fact that Canada is only one factor in the world's grain trade, and giving weight, also, to the fact that Canada finds its outlet on the Eastern movement to the sea-board, not only by the St. Lawrence, but also by way of Buffalo, it appears that the suggestion of control in this regard is not a feasible one.

XLVII

In 1914, legislation was drafted in the United States which is known as "The Alexander Bill." A portion of this was concerned with the question of rate regulation on the Great Lakes, and under this provision was made for an extension of the powers of the Interstate Commerce Commission so that there might be exercised a thorough-going control of Lake rates, the regulation extending to the specific rates charged.

The Bill in question did not become law.

Subsequently, under date of September 7, 1916, there was enacted The Shipping Act of that year. This legislation provides for a measure of control in regard to Lake rates.

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Since this is as far as the United States has seen fit to go after extended consideration of the matter, the provisions of the legislation in question demand some consideration.

So far as the question of Lake traffic is concerned, the term "Common carrier by water in interstate commerce" is defined as meaning a common carrier engaged in the transportation by water of passengers or property on the Great Lakes on regular routes from port to port between one state, territory, district or possession in the United States, and any other state, territory, district or possession in the United States, or between places in the same territory, district or possession. The words "on regular routes" are material to the definition.

The supervisory powers in regard to interstate commerce by water were placed in the hands of the United States Shipping Board. The legislation provides that common carriers by water were not to give rebates or discriminate unjustly or unfairly. Provision was made that every common carrier by water in interstate commerce should establish, observe and enforce just and reasonable rates, fares, charges, classifications and tariffs. It was the intention that this should apply to the maximum charges of the carrier, for it is provided:—

"Every such carrier shall file with the Board (that is the Shipping Board) and keep open for public inspection, in the form and manner, and within the time prescribed by the Board, the maximum fares, rates and charges for, or in connection with the transportation between points on its own route, and if a through rate has been established, the maximum rates, fares and charges for or in connection with transportation between points on its own route and points on the route of any other carrier by water."

Further power is given to The Shipping Board when it finds that a rate, fare, charge, classification or tariff, etc., is unjust or unreasonable, to prescribe a just and reasonable maximum rate, fare, charge, etc., to be imposed.

This legislation is to be read with the United States Merchant Marine Act of 1920, which did not, however, make any essential change in regard to the matter of control over lake rates.

Section 27 of the United States Merchant Marine Act provides, in the first instance, that coastwise trade, either direct or via foreign ports, is limited to American vessels; but there is this proviso set out in Section 27:

"Provided that this Section shall not apply to merchandise transported between two points within the continental United States, excluding Alaska, over through routes heretofore or hereafter recognized by the Interstate Commerce Commission, for which routes rate tariffs have, or shall hereafter be filed with said commission, when such routes are, in part, over Canadian Rail lines and their own or other connecting water facilities."

The significance of the phrase "recognized by the Interstate Commerce Commission" is at present under investigation by the Interstate Commerce Commission in connection with movements to Duluth and other points at the Head of the Lakes, on the American side of the boundary.

It is to be noted that the supervisory powers provided for are intended to be exercised not through the control of the specific rate charged, but by the finding of a maximum; and it is further to be noted that the regulative powers are specifically limited to vessels on regular routes.

No provision is made in the legislation for regulation through the fixing of maxima on the charges on bulk freighters. The boats engaged in the carriage of

package freight between lake ports in interstate commerce are subject to the legislation. Those boats from time to time carry cargoes of grain, and the question of regulating rates for this carriage has been considered; but in view of the fact that the bulk freighters not operating on regular routes are not subject to the supervisory control as to rates, maximum rates in regard to grain carriage on the boats engaged in package freight on regular routes have not been enforced. This leaves the legislation in practice effective only in regard to the package freight end of the business, which is a relatively small and decreasing element in the lake business.

XLVIII

As has already been indicated, there are fundamental differences between lake rates and rail rates; and in dealing with possible means of regulation of lake rates, it is essential to keep these differences in mind. The contractual basis of lake grain rates and the constant fluctuations and readjustments which have already been pointed out as existing under competitive conditions, render doubtful the possibility of regulating by controlling the specific rates.

It is admitted that the lake grain rate situation in the United States is much more competitive than it is in Canada. The examples already given show how the grain rates out of Chicago, for example, fluctuate, while the flour rates remain stable. Many examples have already been given of the relatively short period a particular specific rate may be enforced.

Due to the fact, as already pointed out, that the grain dealer normally has to make arrangements for his space in advance of purchasing his grain, it would appear that a contractual basis of specific rates is fundamental in the grain trade. Conditions in business must be taken as they are, and have a bearing upon the feasibility of a particular method of regulation.

It would appear that, under the circumstances, the only direct rate control advisable is through maximum rates. This also is not without its difficulties; but control through maximum rates would leave a reasonable margin for that competitive bargaining as to rates which the grain dealers desire, while at the same time controlling the upper level of rates.

Without attempting to enumerate here factors that would have to be taken into consideration in this connection, it may be said that it would not appear that one maximum rate applicable to the whole season of navigation would be a workable arrangement. It would appear that cognizance must be taken of the differences in conditions as between the first part of the season down to the end of August, and the second portion down to the close of navigation; and it might be necessary, because of special conditions arising within each of these seasonal periods, to further readjust the maximum rate from time to time.

The difference between lake grain rates and rail rates, in respect of discrimination, has been pointed out. The grain dealers who appear before the Commission took the position that given such ensuring of competitive conditions as might be feasible, they were content to depend upon competition for equalization of conditions. Because of the necessary contractual basis of grain rates, it appears that in the grain trade differences in treatment, which under the Railway Act are treated as unjust discrimination, are unavoidable. This being so, it would appear that if there was adequate publicity as to the space or vessel commitments of grain dealers, the members of the trade would be adequately able to adjust their contracts. Without giving out particular details of private business, and without giving out the name of the individual chartering space, it would seem that an arrangement might be made whereby there would

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be available to the grain dealers daily a statement showing space, destination, and date of shipment for carriage of the grain. With this before him, the individual dealer, knowing his own requirements, and being able to estimate the commitments already made, would be in a position to exercise his own judgment.

Evidence was presented concerning the present condition of the shipbuilding industry. This was adduced because it had apparently been apprehended from the outset that some modification of the Coasting law might be brought forward as one of the methods of regulation, if regulation were recommended.

In the evidence adduced, and in the argument made by Counsel, it was contended that the shipbuilding industry was in a very unsatisfactory condition. Various firms were referred to which had come into existence during the war, and which now no longer exist. The fortunes of these firms, have, of course, no bearing upon the argument regarding the Coasting laws. They came into existence under war conditions, and have passed away in the aftermath of war conditions. In other cases it appeared that the bulk of the activity in the Canadian shipyards was concerned with repair work. It appears that at present there is activity in the British shipyards in building vessels for the canal and St. Lawrence route; and it is also understood that some of these vessels are being built by Buffalo interests, which will place the vessels under Canadian registry to run on the same route.

In support of the suspension of the Coasting regulations is the fact that, allowing for differing factors in cost, the earnings on the all-Canadian traffic are still much in excess of those on the International traffic. But in view of the fact that similar coasting regulations, on the American side, prevent Canadian vessels from engaging in trade between Canadian ports, the advisability of complete abrogation may be questioned.

The prevention of participation by foreign vessels in the coasting trade is a matter of public policy. It is from the standpoint of public policy that any suggestion as to modification of this policy has to be approached.

The analysis of traffic already given emphasizes the importance in the Canadian lake traffic of the grain business. Various witnesses have said that it was "basic" in the lake traffic. This basic industry is vitally interested in competition being operative as a regulative factor in the rates from the Great Lakes. Public policy in Canada in regard to inland water transportation has relied upon water competition.

The regulation of rates through suspension of the Coasting laws would not of necessity mean that whenever such suspension took place there would be a large influx of American tonnage into the Canadian grain trade. As already pointed out, the American grain rates are to a considerable extent controlled by ore rates, and whether or not the American grain carrier would desire to participate in Canadian business would depend upon the question whether there was much profit in the Canadian grain traffic as compared with the American ore traffic.

Further, the ore trade occupies the activities of such American bulk grain carriers as carry ore down to the 15th or 20th of November. It is questionable just what portion of the tonnage free after that date would engage in the business of carrying Canadian grain. Some evidence placed before the Commission pointed to the fact that some portion of this tonnage would be laid up instead of being put into the grain trade.

It would seem that what is important is not so much the amount of tonnage that might be added to the trade in such case, as the possibility of having tonnage brought in which would keep the Canadian carrier from so increasing his rates as to make the traffic more than usually attractive to the American grain carrier.

In so far as the American bulk grain carrier might participate in the trade in the latter part of the season it might have a bearing upon increasing the volume of grain held in winter storage at the various Canadian ports; and this would be of public interest since it would afford a steady volume of grain to be handled forward by Canadian transportation agencies during the season.

It has already been pointed out that congestion is a factor in rates. While the Commission does not consider congestion as having played such an important part in 1922 to Bay ports as the vessel companies contend, it has at the same time to be recognized that some weight must be given to this. In so far as there is congestion it lessens the number of trips the vessel can make, and if it is to make any average return the burden of expense becomes greater on each of the smaller number of trips. In so far, then, as congestion may be attributable to inadequate facilities, which may at a given time slow up the movement of the vessels, it is apparent that the addition at such a time of American vessels would not afford relief but simply intensify the situation by adding to the congestion.

The existing system under which the broker is compensated for his services by receiving a percentage of the insurance premium is illogical, unsound and vicious. The basis of compensation for services rendered by him should be a direct charge. In opposition to any change, it has been pointed out that any possible saving would amount to only a fraction of a cent per bushel. A similar argument has been advanced in opposition to other suggested improvements or changes; but if a sufficient number of fractions of a cent per bushel are added together, a substantial sum will result. It is not safe to ignore small economies, as the future prosperity of Canada depends very largely on whether or not we produce and transport our goods in the most efficient and economical way possible.

An effort was made during the war completely to divorce the chartering of vessels from the placing of marine insurance; and an arrangement was entered into to do this, in which the Winnipeg brokers joined. But, as appears from the files of the Department of Trade and Commerce, the arrangement was defeated by Mr. Julius Barnes, who had charge during the war of the forwarding of grain by American vessels, refusing, on behalf of the American vessel owners, to send American vessels to Canadian ports if the prevailing custom as to remuneration of brokers were interfered with. The only reason given was that it would not be fair to the chartering agencies. It appears from a letter of Dr. Magill, of the Board of Grain Supervisors for Canada to the Minister, dated October 25, 1918, that Mr. Barnes was also acting for the Winnipeg Chartering Committee.

Mr. Watts, Secretary of the Dominion Millers' Association, in a letter to the Minister dated April 8, 1920, in advocating the suggested divorce, says:

"A simple way, that has just occurred to the writer, might be to license all vessel agents chartering space on lake vessels, and make it one of the conditions of this license that they shall not require any one to whom they charter space to place insurance with them."

This letter was forwarded to the Board of Grain Commissioners and they, through their Secretary, wrote the Deputy Minister on June 2, 1920. Referring to the practice whereby shippers were compelled to write their insurance with the brokers chartering space, the letter said:—

"This practice, in the mind of the Board, is not in accord with good business principles, and the Board is strongly of the opinion that the shipper should have the right to secure insurance through any channel he sees fit."

In referring to the proposal of Mr. Watts, they stated that:—

“It would appear that, unless the vessel agents are absolutely prohibited from writing insurance, the object desired will not be accomplished, as the agents could readily notify shippers who did not wish to place insurance with them, that they had no vessel space available.”

But they add that they are not at the moment prepared to recommend that course. They, however, give no reason for not making some recommendation.

XLIX

Summary

1. It is admitted that, at one time during the 1922 shipping season, vessel operators controlling a sufficient proportion of the bulk freighters on the Upper Lakes to constitute a virtual monopoly, combined to fix rates to be charged on the shipment of grain on these lakes, and in the opinion of your Commission a tacit understanding between these operators as to those rates existed during the whole season, and measures should be taken to prevent its continuation.

2. Rates on grain between Canadian ports were discriminatory as compared with rates charged by Canadian operators on grain and other bulk freight between Canadian and United States ports, and as compared with those charged by American operators on grain and other bulk freight between United States ports.

3. In justification of discrimination, it is alleged:

- (a) That there was congestion at Canadian Ports;
- (b) that the Canadian vessels got less return cargo than the American;
- (c) That the work of Canadian vessels was less steady than that of the American by reason of the seasonal character of the grain traffic;
- (d) That rates to Buffalo, were, during the early part of the 1922 season, “distressed” rates by reason of American freighters being unable to procure their usual tonnage of iron ore;

4. Congestion was as bad at Buffalo as at Port Colborne, and was worse than at Bay ports; therefore, discrimination cannot be justified by congestion.

5. Congestion did exist both in 1921 and 1922, and was one cause of high freight rates. The fact that grain can be so much more rapidly discharged from Fort William and Port Arthur than it can be transferred at Montreal, Quebec, and Port Colborne makes for congestion.

With the completion of the Welland canal and the addition of such facilities along the all-water route as may be found necessary, in order to take advantage of the more economical operation offered thereby, it may be anticipated that there will be an increase in the grain traffic moving by the St. Lawrence route, called by Mr. Stocking of Duluth, “the natural attractive route”; and in order properly to utilize such facilities for the transferring of grain at Montreal, Quebec, and Port Colborne, every effort should be made, through effective co-operation to ensure the fullest possible co-ordinated use not only of all the facilities at the ports in question but also of all factors used or bearing on the transportation and transfer of grain.

6. The United States vessels have some advantage over Canadian vessels in the matter of return cargo. Coal is the only extensive return cargo for vessels

carrying bulk freight from Lakes Superior and Michigan, and as the available return cargo is much less than the cargo carried down, coal being only about 20 per cent or 30 per cent of American bulk freight on the Great Lakes the most of the vessel tonnage carrying bulk freight down from the Upper Lakes, whether American or Canadian must go back light; and so long as a returning vessel can get a cargo of coal, she can afford to carry at any rate that will pay her better than returning light. Whatever she gets beyond sufficient to pay for the extra time and cost caused by taking the return cargo over the time and cost of going back light, is clear gain. It is alleged that trade connections existing between United States vessels and coal companies give the former an advantage over the Canadian vessels in obtaining this return cargo. It would seem, however, that, in general, the advantage possessed by the American vessel in respect of coal is not so great as represented.

7. Canadian bulk freight being mostly grain is more seasonal than American, and Canadian vessels may not have quite so steady employment as American, but the claim that American rates were "distress" rates shows that American vessels were at times also short of employment; and although the companies controlling nearly all the Canadian Upper tonnage were ably represented before the Commission, they were only able to show that one Canadian vessel had been laid up for want of work during the season, and that vessel only for thirty days. On the other hand, it has been admitted that labour costs were lower on the Canadian side than on the American.

8. After making due allowance for additional cost of operating and handling to which the grain was subject, but which did not apply to ore and coal, there is still an excess of earnings from the transportation of grain between Canadian ports over earnings from the carriage of other bulk freight, which shows high and unjustifiable rates.

9. The increase of the 1922 rates over those of 1921 by the Canadian vessel operators was so great as to be high and unjustifiable.

10. Railway rates and rates for the transportation of all important bulk freight on the Great Lakes, except grain, are being controlled in some way; the former through Commissions acting on behalf of the public, the latter by agreement between the producers and carriers. The difference in cost of operation of lake vessels at different periods of the shipping season, and the movable nature of the capital invested in lake transportation, owing to the boats not being tied down to one fixed route, among other things, make it impractical to attempt to control lake traffic in exactly the same way in which rail traffic is controlled; and joint fixing of rates by agreement between producer and carrier, as in the case of iron ore, does not seem feasible.

11. The season of 1922 was characterized by high levels of rates which cannot but have been detrimental to all those engaged in the production and disposal of grain, and it is, therefore, essential that through control of the upper levels of rates the competitive principle which has been relied upon by Parliament in the case of water transportation should be permitted to be operative.

12. The difficulties in the way of controlling rates on lake-borne grain are such that your Commission is of the opinion that the only feasible method of rate control through a regulative tribunal is through maximum rates.

13. Power to suspend the Coasting Laws in respect of the grain trade should be conferred upon the Governor in Council. It is suggested in this connection that the Dominion Bureau of Statistics should keep statistical records of the port cargoes in the Coasting trade, such records to be based on returns from the vessel or vessel companies operating.

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14. The broker should not obtain the payment for his services from participation in the premium of insurance written by him. The basis of compensation for services rendered should be a direct charge.

15. There is justification for publicity in connection with chartering of space and date of same.

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Your Commission recommends:

1. That supervision of rates charged for the transportation of grain between Canadian ports be placed in the hands of the Railway Commission, or some other independent with the assistance of advisors and experts who are thoroughly conversant with this somewhat difficult problem. That all persons or corporations operating vessels carrying grain between Canadian ports shall be obliged to file with such Commission, maximum rates. That the Commission shall have power to approve or disapprove of such maximum rates, and when not so approving shall prescribe reasonable maximum rates. That provision shall be made for alteration of such rates to suit different portions and conditions of the shipping season.

And that rates in excess of the maxima shall be illegal.

2. That power be placed in the hands of the Governor in Council to suspend coasting regulations, in so far as the same may be necessary to enable American vessels to carry grain for winter storage between Canadian ports; and that the Governor in Council shall be empowered to suspend such regulations on grain in other cases on the recommendation or report of the Commission having power of supervision over rates to be charged on the Great Lakes.

3. That all vessel brokers and persons in any way engaged as agents or otherwise in chartering vessels, or space on vessels, from Fort William and Port Arthur east, be prohibited from writing cargo for out-turn insurance on grain, from acting in any way as agents for the placing of such insurance, and from accepting any commission on such insurance or on any premium connected therewith.

4. That all vessel brokers and persons in any way engaged as agents or otherwise in chartering vessels, or space on vessels, for the carriage of grain from Fort William and Port Arthur east, shall, at the Grain Exchange at the place where such chartering for vessel or space is made, afford to the grain dealers a detailed statement showing the space, date of shipment, and destination for carriage of each grain charter entered into each day.

Respectfully submitted,

(Sgd.) S. J. McLean.

(Sgd.) Levi Thomson.

(Sgd.) T. L. Tremblay.

